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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLEAGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,
Respondents.

PETITION FOR WRIT OF CERTIORARI AND BRIEF IN SUPPORT THEREOF.

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Respondents.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Statement of the matters involved.

This is a patent case involving novel propositions of law relating to both the validity of the patents in suit and the accounting of damages. At the outset it will appear that

the interlocutory decree of validity and infringement of the patents in suit should be devitalized on account of the conspiracy and unconscionable conduct of respondents in instituting and in carrying on this litigation.

Petitioner, a municipal corporation of Illinois, whose corporate limits embrace all of Chicago and most of its suburbs, seeks a review by this Court of the decision (157 F. (2d) 517—October 28, 1946, R. I, 903*) of the Circuit Court of Appeals of the Seventh Circuit affirming the final judgment and decree (R. I, 73) of the District Court for the Northern District of Illinois, Eastern Division, including the interlocutory decrees leading up to the final decree.

The Court of Appeals did not write and file an opinion but merely adopted by reference the opinion of the District Court (64 F. Supp. 25, R. I, 52).

The judgment affirmed, entered February 19, 1946, is in the sum of $950,000 as general damages by way of reasonable royalty as the result of the accounting trial directed by the interlocutory decree of February 8, 1935 (R. I, 3) adjudging one of the patents sued upon invalid and the other five patents valid and infringed by two small experimental plants and one large sewage treatment plant of petitioner.

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* Roman numerals indicate the Volume of the Printed Record and arabic numerals indicate the page of the Volume.

The large Record in this case has been filed in compliance with the Rules but consideration of the points presented in this petition, and which will be argued on the merits should this petition be granted, requires only limited examination of the Record.

I.

THE INTERLOCUTORY DECREE OF VALIDITY AND INFRINGEMENT SHOULD BE DEVITALIZED BECAUSE OF THE CONSPIRACY AND UNCONSCIONABLE CONDUCT OF RESPONDENTS IN INSTITUTING AND IN CARRYING ON THIS LITIGATION.

Once again it becomes necessary for this Court to clarify, for the benefit of the Seventh Circuit and the other Circuits, the rule proclaimed in

> *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, and
> *Hazel-Atlas Glass Co.* v. *Hartford Empire Co.*, 322 U. S. 238,

that no recovery will be allowed in a suit to enforce patent rights when the plaintiff has been guilty of unconscionable conduct in regard to procurement of his patent or enforcement of his rights thereunder. Two years ago in

> *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806,

this Court reversed the Seventh Circuit Court of Appeals and made it clear that no recovery would be allowed when the patent in issue was granted as the result of perjury and fraud committed in the Patent Office. The court below now construes these authorities to mean that they are not applicable when the fraud and suppression of evidence were perpetrated upon the Federal Courts in an action to enforce patent rights, but are applicable only when the fraud was practiced upon the Patent Office or affects the validity of the patent itself.

The distinction made by the District Court between the significance of fraud and suppression of evidence when

practiced upon the Federal Courts rather than the Patent Office is so incredible that we quote from the District Court's unreported opinion to substantiate our statement:

> "If issuance of a patent is procured by fraud, the public grant is invalidated. That is the reasoning of the Supreme Court and I think it is sound. • • • But there is no question here of the validity of these patents. • • • They do not bring this case within any of the Supreme Court decisions. This isn't a case where the patent, a property right granted by the United States, by virtue of an Act of Congress, is sought to be invalidated."

The facts on this point bring this case within the doctrine announced by this Court in the cases cited above. They are set forth in Paragraph 4 of a petition filed by petitioner on June 18, 1945 (R. I, 9-33) which was stricken by order of the District Court on June 30, 1945 (R. I, 35). Petitioner made an offer during the accounting trial to prove the facts set forth in said Paragraph 4 but objection thereto was sustained (R. I, 487). In the formal opinion by the District Court, which was adopted by the Court of Appeals, this point is not accorded the barest reference.

Prior to the decisions of this Court in the last two cases cited above and immediately after petitioner discovered the active suppression of important evidence by respondents, petitioner prayed for leave to file in the District Court a petition setting forth the facts then recently brought to light relating to respondents' unclean hands (R. II, 3-102). The District Court without hearing any evidence denied leave to file the petition (R. III, 885) and this denial was affirmed by the Court of Appeals which stated that the trial court had heard "voluminous evidence" (R. III, 920). This Court denied certiorari (313 U. S. 583) but it may be assumed that certiorari was denied because it

was sought to be taken from an interlocutory order (*Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251, 258).

Inasmuch as petitioner's petitions sought to be filed in the District Court were stricken as insufficient in law, the allegations of fact therein contained must be taken as true for the purpose of reviewing the decision of the court below. These facts reveal that this suit was instigated by Albert W. Dilling, who was Chief Engineer of petitioner from December 16, 1920 to July 21, 1922, and that Dilling, from the inception of this suit and down to date, has had a substantial interest in this cause of action (R. I, 8-15, 249). Dilling's relationship to and interest in this case have been carefully concealed from petitioner and the courts by means of a conspiracy among the respondents and their then attorneys (R. I, 13-18).* This conspiracy was carried out with complete success for the first 14 years of the pendency of this case (its age being entirely attributable to respondents' tactics) and was discovered by petitioner only as the result of litigation instituted by Dilling against his co-adventurers when they later attempted to eliminate him from the venture (R. I, 18-20).

The conspiracy had two principal objects. One is candidly stated in a letter from McCaleb (one of the co-adventurers with Dilling, one of the respondents and until recently one of their attorneys) to Activated Sludge, Ltd., another respondent and the then owner of the patents, as follows (R. I, 711):

> "Subject to your approval we would prefer not to have Mr. Dilling a party to the formal agreements with you. This is merely because we would expect to use Mr. Dilling as an expert witness. His value in that

* The unconscionable conduct here referred to occurred before the present attorneys of respondents appeared in this case.

connection would be enhanced if his interest did not appear of record."

Another object of the conspiracy was to conceal Dilling because respondents feared that if his relationship to this case became known to petitioner, petitioner would have a defense of unclean hands arising out of the fact that this cause of action was instigated and partially owned by one of its former officers who organized the venture (R. II, 9).

In furtherance of the conspiracy to conceal Dilling, respondents resorted to false notices, false pleadings, perjured testimony, misleading statements by counsel, destruction of evidence and suppression of relevant documents. These charges are fully shown by the facts set forth in the petitions referred to above (R. I, 14-18; II, 9-36). During Dilling's incumbency as Chief Engineer of petitioner, the two small infringing plants of petitioner were completed and placed in operation. In accordance with Dilling's recommendation, the activated sludge method involved in the patents in suit was adopted for the infringing North Side plant, and Dilling commenced the preparation of plans and the letting of contracts for the construction of said plant (R. I, 9-11). While employed by petitioner, Dilling corresponded with the English owners of the patents in suit and for the first time became aware of the vulnerability of petitioner to litigation involving said patents in suit (R. II, 266, 270-3) and thereafter initiated the course of reprehensible conduct briefly described in this petition and more fully set forth in the brief attached hereto.

Less than one year after Dilling left petitioner's employment, he journeyed to England and conferred with Activated Sludge, Ltd. respecting "the development of this Process in America, and particularly with regard to Chicago" (R. I, 705). Upon returning to Chicago, Dilling

interested McCaleb, who in turn secured two financiers, Edgar C. Guthard and Franklin Mayo, to back the joint adventure organized to collect through litigation and otherwise on activated sludge patent infringement claims against petitioner (R. I, 11). Having concluded at the outset that Dilling's relation to the enterprise must be concealed from petitioner, respondents embarked upon a program not only of concealing Dilling's interest but also of preventing any suspicion from arising which might induce petitioner to make any inquiries. The first agreement entered into between the four individuals, Dilling, McCaleb, Guthard and Mayo, under date of May 29, 1924, provided that Guthard was to go to London to negotiate a license agreement with Activated Sludge, Ltd. but that any agreement entered into by Guthard would be for the benefit of all and that any title he held would be as trustee for himself and the other parties to the agreement (R. I, 12). When Guthard obtained a license agreement from Activated Sludge, Ltd. on June 23, 1924, it ran to him as an individual and did not disclose his trust capacity (R. I, 13). This was to be the muniment of title upon which litigation could be predicated without revealing Dilling's interest. However, as soon as Guthard returned to Chicago another agreement was entered into under date of July 25, 1924 by which the four individuals formed a Massachusetts trust called "Activated Sludge Processes of America", under which all interest in the license agreement was assigned to Guthard as trustee and under which each of the four individuals had a one-fourth beneficial interest (R. I, 13).

Notice of infringment was served upon petitioner and this suit was filed against petitioner by Guthard without disclosing his trust capacity (R. I, 15). During the trial which led to the entry of the interlocutory decree, Mayo

and Guthard testified that Activated Sludge Processes of America was an oral arrangement between themselves and McCaleb and that each had a one-third interest (R. II, 23). When, in the action later brought by Dilling against his associates, Mayo and Guthard were confronted with their testimony in this case, they were compelled to admit that they had not told the truth (R. II, 31-2). We shall not elaborate upon the details of the conspiracy and its execution. Sufficient has been said to make it evident that the action taken by the court below in refusing to consider or allow petitioner to offer any evidence to prove the allegations contained in the petitions referred to above requires that this Court exercise its supervisory jurisdiction.

One phase of respondents' unclean hands, namely, that the evidence fraudulently suppressed by respondents reveals that this suit was instigated, filed and prosecuted through the action of one (Dilling) who while employed by petitioner learned the facts concerning petitioner's vulnerability to patent litigation, gives rise to a complete defense to this action. In refusing to uphold this defense, the decision of the court below is in conflict with that of *Trice* v. *Comstock,* 121 Fed. 620 (C. C. A. 8). This is the only phase of respondents' unclean hands considered by the courts below in their former opinions on this subject, although the case of *Trice* v. *Comstock* is not referred to in those opinions (33 F. Supp. 692; aff. 118 F. (2d) 899).

However, the most important aspect of respondents' unclean hands is that the acts of suppression and fraud *in themselves,* without regard to the sufficiency of the fraudulently suppressed evidence in constituting a defense to this case, involve such reprehensible conduct as to bar the door of a court of equity to respondents. This phase of respondents' unclean hands is not mentioned in the opinions

of the courts below (R. III, 885, 920) and no attempt is made to distinguish it from the authority of *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240.

Sedulous as this Court should be to limit the scope of its jurisdiction, the function of this Court in settling conflicts between the courts on principles of law and in proclaiming important principles of federal law is not so vital, we respectfully submit, as the necessity of upholding the integrity of the federal judicial process at all times. As evidenced by the decisions of the Courts of Appeal in the *Hazel-Atlas* and *Precision Instrument* cases, the lower courts may be less sensitive than the Supreme Court to the sordid behavior of parties and counsel and it becomes the sacred prerogative of the Supreme Court to strike down such pernicious practices whenever they are brought to its attention. Ignored even once, such corruption will grow like a neglected cancer and undermine our judicial system.

II.

THE FINAL JUDGMENT ON THE ACCOUNTING IS ENTIRELY BASELESS.

Of the many errors committed by the court below in entering judgment on the accounting, we have selected three involving legal questions of general interest and importance which should be settled by this Court and which are not based on any disputed evidence but relate to the applicability of important precepts of law.

Although the court below concluded that the damages by way of reasonable royalty could not be increased under the statute* for the reason that punitive or exemplary

* 35 USCA, Sec. 70: "The court shall have the same power to increase such damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case".

damages cannot be assessed against a municipal corporation (R. I, 68-70), the judgment includes an unstated amount referred to by the court as "extra damages". The phrase "extra damages" cannot be found in the law dictionaries of Bouvier or Black. According to the court below these "extra damages" include (R. I, 70):

> "* * * damages purely compensatory which are elusive but which plaintiffs ought to recover, not as punishment but as reimbursement for what plaintiffs have actually lost. * * * In this connection I have not given weight to the amount of fees of counsel but have considered the fact that the plaintiffs have been compelled to sustain long and expensive litigation."

The motivation for the court's awarding of something that it called "extra damages" is indicated by Finding of Fact 48 (R. I, 50):

> "Defendant was a persistent and deliberate infringer and this is another factor which may be taken into consideration in assessing general damages in this suit."

Whatever the courts below had in mind is unknown but they could not have employed the term "persistent and deliberate infringer" in its ordinary sense because one of the patents in suit was held invalid and certain claims of the valid patents were held not infringed (R. XI, 5076). Moreover, the courts below were bound to recognize, as is shown in petitioner's exhibit A-126 (R. I, 835), that most of the long delay in this case was caused by respondents. While the suit was filed in 1924, respondents did not complete their pleadings until several years thereafter and inasmuch as they chose to try the Milwaukee case first, they did not start the trial here on the validity and infringement issue until 1932. After the affirmance in 1937 of the interlocutory decree, respondents delayed the accounting proceedings, probably on account of an order

in the suit filed by Dilling against his co-adventurers and others restraining respondents until disposition of that suit, and in 1945 it was the petitioner who, in the interest of expediting the proceedings, filed a petition to define the issues on the accounting. The delay in bringing this long pending case to completion is directly chargeable to respondents and not to petitioner.

There is no precedent in the law for the award of "extra damages" in addition to the reasonable royalty. The court below concluded that reasonable royalty was the measure of the damages in this case (R. I, 51) and there is no room for any additional amount. Inasmuch as the court below held that this was not a case in which exemplary damages could be awarded against an infringer for persistent and deliberate infringement, there was no warrant for taking into consideration the alleged persistent and deliberate infringement as a factor in assessing the damages.

The only money which respondents lost in addition to reasonable royalty was their attorneys' fees and interest upon the royalty which might have been paid at the commencement of the infringement. It has been well established by this Court, however, that attorneys' fees are not recoverable in a patent infringement suit and that interest is not allowable on the reasonable royalty until its amount is liquidated.

By introducing an unsound concept into the law of damages in patent infringement cases, the Seventh Circuit Court of Appeals has created uncertainty and confusion which should be resolved by this Court without delay.

Ancillary to our major proposition is the point that the findings of the court below (R. I, 36-71) violate Rule 42 of the Rules of Civil Procedure relating to the character of the findings to be made by the court as interpreted in

Kelley v. *Everglades Drainage District,* 319 U. S. 415, 420, 421.

An accounting trial should result in a series of figures which add up to the amount of the judgment. In order that the findings of fact may be of any value to a reviewing court, the trial court must itemize the various figures which enter into the sum total of the judgment.

Nowhere in the opinion or findings of the court below is there any intimation as to the amount of the reasonable royalty or the amount of the "extra damages". The figure of $950,000, the amount of the judgment, cannot be found anywhere in the evidence and it cannot be deduced from any combination of figures in the evidence.

Another outstanding error of the court below is that the judgment is not based upon any tangible evidence. This is in conflict with decisions of this Court and other Circuits holding that the court should base its determination of reasonable royalty on "something tangible" and "we cannot conjure figures from our own minds".

The only evidence in the record on the basis of which the reasonable royalty could be determined is found in petitioner's evidence. This evidence revealed that prior to the commencement of the infringements involved here, respondents had established a "Standard Royalty Charge" (R. I, 727) for the five patents in suit together with six other related patents and had negotiated with and offered to license various American municipalities pursuant to such established royalty (R. I, 704-6, 715-6, 722-7, 742-5, 753-793, 799-806). The evidence was uncontradicted that according to such Standard Royalty Charge the royalty for licenses under all eleven patents for the three infringing plants involved would not have exceeded $90,000 (Def. Ex. A-116, a copy of which is attached to our brief as Appendix "A"). Two qualified witnesses testified that the reasonable royalty was approximately $50,000 (R. I, 432-4, 482-3). Respondents offered no opinion evidence.

III.

THE INVALIDITY OF THE PATENTS IN SUIT.

The decision of the court below relating to the validity of the patents in suit requires that the Supreme Court exercise its supervisory jurisdiction in order to settle important questions of patent law. This can be done without reviewing or weighing the evidence but simply by studying the patents and the opinions of the courts below.

The patents in suit have not been judicially considered anywhere except in the Seventh Circuit and will not be considered anywhere else because there are no other suits pending and the statute of limitations prevents the filing of any new suits. This is the only case involving any of the patents in suit in which final judgment was entered by the Court of Appeals.* Because a conflict of decisions between the Circuits regarding validity of the patents in suit cannot ever arise, this Court should grant certiorari as it has done in similar cases.**

One of the principal issues in this case is whether Jones, the patentee, was the inventor. All of the patents in suit are based on applications filed by Walter Jones of England, who claimed to be the inventor of the process and apparatus involved (69 F. (2d) 577, 582).

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* Denial of *certiorari* in the Milwaukee case (293 U. S. 576) and this case (302 U. S. 736) is not significant because the petitions were filed in respect to interlocutory orders.

** *Muncie Gear Works* v. *Outboard, Marine & Mfg. Co.*, 315 U. S. 759, 765, 766. " * * * we granted *certiorari* in view of the questions presented and because the patent dominates a substantial portion of an industry so concentrated in the Seventh Circuit that litigation in other Circuits, resulting in a conflict of decisions, is unlikely."
Schriber-Schroth Co. v. *Cleveland Trust Co.*, 305 U. S. 47.
Mackay Radio & Telegraph Co. v. *Radio Corp. of America*, 306 U. S. 86, 89.

The so-called activated sludge process constitutes an improvement in the purification of sewage by means of aeration. It has long been known that purification of sewage may be accomplished through aeration. Aeration encourages the growth of aerobic bacteria which reduce the putrescible material in sewage to innocuous forms. However, aeration alone is too slow and expensive to make it practical for the treatment of large quantities of sewage. The invention, if there be any, involved in the activated sludge process lies in the biochemical discovery that if the flocculent masses of aerobic bacteria (called activated sludge) which settle at the bottom of a tank after repeated aeration are introduced into raw sewage and thoroughly mixed with the same, the process of purification is accelerated (69 F. (2d) 577, 581).

The court below found that this biochemical process was discovered by certain English chemists but that they did not translate their laboratory findings into commercial success. The court found that Jones, a pipe manufacturer, translated the scientific biochemical discovery into commercial success and was therefore to be credited with invention (69 F. (2d) 577, 583-587). The question presented is whether reduction to practice on a laboratory scale is sufficient to show prior use or whether it is necessary that the reduction to practice be on a commercial scale. It is our contention, supported by a leading case of this Court, that a practical manufacturer does not acquire the ingredients of authorship of invention required of a patentee when he borrows and develops on a commercial scale the newly discovered process of a scientist who succeeded in practicing the process in his laboratory.

If the court below had ascribed invention of the process to the scientists who conceived it rather than to Jones, the

process patents in suit would have been invalidated, leaving only the one apparatus patent. So far as the apparatus patent is concerned, the two claims allowed are invalid on their face. Claim 2 of Patent 1,282,587 relates only to "means for introducing air or oxygen at the lower part of the tank" and Claim 8 is likewise defective in defining the invention claimed in functional language (R. XI, 5141). The claims are so broad that they include the introduction of compressed air through perforated pipes, acknowledged by Jones to be part of the prior art (R. XI, 5537). These claims are defective in that they fail to point out and distinctly claim the part, improvement or combination claimed as invention.

The only explanation for the decision of the court below upholding the apparatus patent is that the court below —as it states—considered the patents collectively. The collective consideration of patents has been condemned by this Court in several cases decided since the decision of the court below in the *Milwaukee* case.

Jurisdiction of this Court to review the decree in question.

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by an Act of February 13, 1925, c. 229, 43 Stat. 938, 28 USCA, Sec. 347 (a). The decree which the petitioner seeks to have reviewed was entered by the Court of Appeals of the Seventh Circuit on October 28, 1946 (R. I, 904).

The questions presented.

1. Did the court below properly strike petitions sought to be filed by petitioner, and refuse to allow petitioner to offer any evidence, relating to the unclean hands of respondents in the suppression and concealment of evidence?

2. Should not the interlocutory decree entered herein be devitalized and respondents denied the right to recover monetary damages as the result of the unconscionable, fraudulent and reprehensible conduct of which they have been guilty?

3. In view of the conclusion by the court below that a municipal corporation such as petitioner cannot be assessed with exemplary or punitive damages, did not the court below err in including in the judgment on the accounting, in addition to the undisclosed and undetermined amount of the reasonable royalty, an unstated amount for "extra damages" based on elements which can be considered by the court only in increasing the damages under the statute by way of exemplary or punitive damages?

4. Are the Findings of Fact of the court below sufficient under the Rules of Civil Procedure in view of their failure to contain the items which aggregate the amount of the reasonable royalty or judgment and their references to what the evidence shows instead of stating the findings of the court?

5. Did not the court below err in determining the amount of the judgment on evidence of a general nature which did not convert the value of the patents or license thereunder into dollars and cents and in ignoring the tangible evidence introduced by petitioner?

6. Is one who translates a scientific discovery into commercial success entitled to a patent when the discovery was first reduced to practice on a laboratory scale by scientists who disclosed the discovery to the public?

7. Is the claim in an apparatus patent of "means for introducing air or oxygen at the lower part of the tank" (R. XI, 5141) a sufficiently distinct and definite disclosure of the element claimed as invention in order to render it a

valid claim under the Patent Act and may apparatus claims be stated in functional language (35 USCA Sec. 33)?

8. Is it proper to consider patents collectively in order to sustain their validity?

Reasons for the allowance of the writ.

1. The decision of the court below is in conflict with the decisions of this Court on an important principle of federal law as proclaimed in the following cases:

Keystone Driller Co. v. *General Excavator Co.*, 290 U. S. 240.

Hazel-Atlas Glass Co. v. *Hartford Empire Co.*, 322 U. S. 238.

Precision Instrument Mfg. Co. v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806.

It is necessary for the Court, by reversing the Seventh Circuit Court of Appeals in this case, to make it unmistakably clear that the principles announced by this Court in the above cases constitute canons of equity jurisprudence in Federal Courts exacting of litigants the highest standard of conduct, particularly in respect to the conduct of a patentee in an infringement action, and that the rules are not less stringent because the sullied and unconscionable conduct took place in the Federal Courts rather than in the Patent Office.

2. Whenever a party has been guilty of unconscionable or inequitable conduct in carrying on litigation to enforce patent rights and such party has obtained a decree or judgment in his favor in such litigation, this Court should exercise its supervisory jurisdiction to review such decree or judgment without regard to the fact that this Court may have made clear its condemnation of similar inequitable and unconscionable conduct.

3. The decision of the court below in awarding, in a case in which exemplary or punitive damages could not be awarded, "extra damages" in addition to the amount of the reasonable royalty, based on the cost of this litigation, loss of interest and other elements, is in conflict with the decision of this Court in

Duplate Corp. v. *Triplex Safety Glass Co.*, 298 U. S. 448,

which held that interest should run on the reasonable royalty only from the date when the amount is liquidated, and with

Teese v. *Huntingdon*, 23 How. 2,
Oelrichs v. *Spain*, 15 Wall. 211,
Day v. *Woodworth*, 13 How. 363,

which held that attorneys' fees are not a proper element for consideration in determining the damages in patent infringement cases. There is no precedent for this unique and, we submit, fallacious rule of damages and this Court should reverse the court below to prevent the development of a body of bad law based on the precedent of the opinion below.

4. In failing to state the items which comprise the amount of the judgment and to make findings on the evidence, the court below failed to comply with the Rules of Civil Procedure and the principles stated by this Court in

Kelley v. *Everglades Drainage District*, 319 U. S. 415, 420, 421.

5. The decision of the court below is in conflict with the decisions of this Court in

Rude v. *Westcott*, 130 U. S. 152, 167, and
Philp v. *Nock*, 84 U. S. 460, 462

and the decision of the Sixth Circuit Court of Appeals in

Horvath v. *McCord Radiator & Mfg. Co.*, 100 F. (2d) 326, 336

and the decision of the Second Circuit Court of Appeals in

Cincinnati Car Co. v. *N. Y. Rapid Transit Corp.*, 66 F. (2d) 592, 595

holding that "actual damages must be calculated, not imagined."

6. The patents in suit have not been considered in any circuit other than the Seventh Circuit. All other litigation respecting the patents in suit has been disposed of and no new suits can be brought. This is the first time that petition for certiorari from a final decree involving the patents in suit could have been submitted to the Supreme Court. Because a conflict of decisions between the circuits regarding validity of the patents in suit cannot ever arise, certiorari should be granted on analogy to:

Muncie Gear Works v. *Outboard, Marine & Mfg. Co.*, 315 U. S. 759, 765, 766

Schriber-Schroth Co. v. *Cleveland Trust Co.*, 305 U. S. 47

Mackay Radio & Telegraph Co. v. *Radio Corp. of America*, 306 U. S. 86, 89.

7. The decision of the court below in holding that reduction to laboratory practice by scientists who published their discovery was not sufficient to prove anticipation and that one who later obtained the disclosure from the scientists and translated the scientific discovery into commercial success was entitled to obtain patents on such discovery, is in direct conflict with the decision of this Court in *Corona Cord Tire Co.* v. *Dovan Chemical Corp.*, 276 U. S. 358.

8. The decision of the court below in upholding the apparatus patent in suit, claim 1 of which relates to "means for introducing air or oxygen at the lower part of the tank" and claim 8 of which is also expressed in func-

tional language, is at variance with the decisions of this Court interpreting the statutory requirement of particularity and definiteness in patent claims, as exemplified by the recent case of *Halliburton Oil Wells Cementing Co.* v. *Walker,* 91 L. ed. 15, and by *General Electric Co.* v. *Wabash Appliance Corp.,* 304 U. S. 364 and *United Carbon Co.,* v. *Binney & Smith Co.,* 317 U. S. 228.

9. The time has arrived for this Court to settle the confusion and uncertainty which obtains concerning the purpose, scope and content of the claims in a patent and their relationship to other portions of a patent. This Court should proclaim, once and for all, that the invention must be distinctly and completely described in the claim as provided by statute and that the claim cannot be limited or broadened by the other portions of the patent.

10. The decision of the court below in collectively considering the patents in suit is in conflict with the decision of this Court in *Altoona Publix Theatres* v. *American Tri-Ergon Corp.,* 294 U. S. 477.

WHEREFORE, your petitioner prays that a Writ of Certiorari be issued under the seal of this Court, directed to the United States Court of Appeals for the Seventh Circuit; that the judgment of the Circuit Court of Appeals be reversed and set aside and final judgment be entered for petitioner with its costs; and that your petitioner be granted such other and further relief as may be proper.

Respectfully submitted,

THE SANITARY DISTRICT OF CHICAGO
By ERNST BUEHLER
EDMUND D. ADCOCK
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ELI E. FINK
Counsel for Petitioner-Defendant.

BRIEF IN SUPPORT OF FOREGOING PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts below.

The opinions in this case of the District Court for the Northern District of Illinois, Eastern Division, and the Court of Appeals for the Seventh Circuit are listed below in chronological order:

8 F. Supp. 329 (R. XI, 5032): District Court's entry of interlocutory decree.

90 F. (2d) 727 (R. XII, 5792): Court of Appeals' affirmance of above.

33 F. Supp. 692 (R. III, 885): District Court's denial of petition to reopen and vacate interlocutory decree on the basis of newly discovered evidence.

118 F. (2d) 899 (R. III, 920): Court of Appeals affirmance of above.

64 F. Supp. 25 (R. I, 52): District Court's final decree on the accounting.

157 F. (2d) 517 (R. I, 903): Court of Appeals' affirmance of above.

Jurisdiction.

The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code, as amended by an Act of February 13, 1925, c. 229 (28 U. S. C. A. Sec. 347(a)). The final decree of the Court of Appeals which petitioner seeks to have reviewed was entered October 28, 1946 (R. I, 904).

Statement of the Case.

The pertinent facts are briefly stated in the foregoing petition and are supplemented in the Argument which follows.

The points presented in the petition and argued in this brief involve legal principles rather than factual issues and relate to the validity of the patents in suit, the soundness of the final judgment entered on the accounting and the refusal by the courts below to permit petitioner to introduce evidence proving that respondents have been guilty of such unconscionable conduct as to bar them from recovery in this suit in equity.

Specification of Errors.

The courts below erred in entering an interlocutory decree holding that five of the patents in suit were valid (R. XI, 5076), in denying petitioner's motion for leave to file its petition to reopen and vacate said interlocutory decree (R. III, 885), in striking paragraph 4 from petitioner's petition, filed on June 18, 1945, to devitalize said interlocutory decree (R. I, 35), and in entering final judgment for $950,000 (R. I, 73).

If this Court should grant its writ of certiorari, petitioner intends to urge as errors of the courts below the matters set forth in the foregoing petition under the heading of "The Questions Presented".

Argument.

Foreword.

In selecting the points for argument in this brief we are avoiding any issues which would require the Court to weigh the evidence or probe into the voluminous Record in this case. In compliance with the rules of this Court we have filed the entire Record but for the purpose of considering the petition for certiorari to which this brief is attached, and the merits of the points we have raised should our petition be granted, it will only be necessary to examine a small portion of the record.

I.

RESPONDENTS SHOULD BE BARRED FROM MONETARY RECOVERY IN THIS CASE ON ACCOUNT OF THEIR SULLIED CONDUCT IN SUPPRESSING AND CONCEALING FROM PETITIONER AND THE COURTS THE EVIDENCE CONCERNING DILLING'S RELATION TO THIS SUIT, AND IT MAKES NO DIFFERENCE HOW SUCH EVIDENCE, HAD IT BEEN KNOWN TO AND INTRODUCED BY PETITIONER DURING THE TRIAL, MIGHT HAVE AFFECTED THE RESULT.

A primarily controlling point in this litigation, and one standing by itself and not necessarily related to any other, involves the corrupt conduct of respondents in conspiring to conceal and suppress, and thereupon in suppressing and concealing evidence relating to the interest of Albert W. Dilling, former Chief Engineer of petitioner, in this cause of action and relating to respondents' unconscionable conduct in this litigation. The essential facts on this point are briefly stated in the petition for certiorari and are more fully set forth in the petition which the courts below re-

fused permission to be filed (R. II, 3-102; R. III, 885, 920) and in paragraph 4 which was ordered stricken from the petition filed by petitioner to define the issues on the accounting (R. I, 9-33).

At this point we shall add a few facts not set forth in the petition for certiorari and refer to certain evidence which was revealed for the first time when discovery depositions were taken in the summer of 1945.*

Less than one year after he left petitioner's employment, Dilling, who theretofore while petitioner's Chief Engineer had corresponded with Activated Sludge, Limited, conferred with it at its London offices respecting "the development of this Process in America, and particularly with regard to Chicago". Dilling is quoted as having stated to Activated Sludge, Limited that he was "able to get in touch with sound financial Corporations in the United States with a view to the purchase of our (Activated Sludge, Ltd.'s) Patent Rights" (R. I, 705). Upon his return to this country he interested Albert G. McCaleb, a member of the law firm which represented respondents until recently, and McCaleb secured the participation of Edgar C. Guthard and Franklin Mayo, who were represented to have large financial responsibility. In his letter of March 27, 1924 to Activated Sludge, Ltd., Dilling stated (R. I, 707-9):

> "As I explained to you at the time of my visit, I have made a careful and special study of sewage treatment methods, which study was of course intensified during the two years that I was Chief Engineer of the Sanitary District of Chicago. * * * I am the one who recommended its use in the North Side Sewage Treat-

* The order of the District Court on June 30, 1945 (R. I, 35) enjoined petitioner from taking any evidence by way of depositions or otherwise bearing on the issues set forth in paragraph 4 of said petition but certain evidence pertaining to the issues of the accounting was obtained by depositions which indirectly related to the matters set forth in paragraph 4 of said petition.

ment Works now being constructed here in Chicago. My judgment in that matter was concurred in by a special engineering commission composed of Messrs. Eddy, Fuller, and Hatton."

On April 30, 1924 McCaleb wrote Activated Sludge, Ltd. at its London office (R. I, 711):

> "in behalf of the gentlemen whom Mr. Albert W. Dilling has interested in the matter of endeavoring to realize something from the infringement of the activated sludge patents in this vicinity. * * * They are Mr. Edgar C. Guthard, Mr. Franklin Mayo, and the writer, all of this city. * * * Mr. Guthard because of his excellent financial rating and other qualifications is the man whom we had planned to nominate as trustee. *Subject to your approval we would prefer not to have Mr. Dilling a party to the formal agreements with you. This is merely because we would expect to use Mr. Dilling as an expert witness. His value in that connection would be enhanced if his interest did not appear of record.*"*

In order to succeed in their venture, the syndicate was confronted with the dilemma of preparing documents which would legally protect their respective interests, thereby requiring the written recognition of Dilling's interest, and at the same time of preparing documents establishing their right to sue which would effectively conceal Dilling's interest and role in initiating the enterprise and this suit (R. I, 9-10, 14). The anxiety to conceal Dilling caused the co-adventurers to evolve the plan and scheme of having the exclusive license agreement run to Guthard as an individual and not as trustee despite the fact that the original agreement between the four co-adventurers provided that Guthard would hold all rights acquired by him as trustee (R. II, 10), and despite the fact that another *concealed* agreement made by Activated Sludge, Ltd. and three of the co-adven-

* Emphasis in quotations ours unless otherwise indicated.

turers *contemporaneously* with the license agreement acknowledged Guthard's trust capacity (R. II, 39). The license agreement was to serve as the muniment of title which would establish respondents' right to sue and yet conceal Dilling.

In order to protect their respective legal interests, the four joint adventurers (Dilling, Guthard, Mayo and McCaleb) created a Massachusetts Trust called "Activated Sludge Processes of America", to which they assigned all their right, title and interest, legal and equitable, in the so-called license agreement (R. II, 14, 15, 47). This means that the Massachusetts Trust, called Activated Sludge Processes of America, should have filed this suit. However, if that had been done, Dilling's relation to the suit would have been revealed by virtue of the fact that he was a one-fourth owner of the beneficial certificates issued by the Massachusetts Trust (R. II, 50). Consequently, all knowledge of the Massachusetts Trust and the assignment of the patents to it were carefully, conspiratorially and effectually suppressed and concealed from the petitioner and the court substantially throughout this litigation (R. II, 15).

Notice of infringement was served and this suit was filed by Activated Sludge Ltd. and Edgar C. Guthard without revealing Guthard's trust capacity. In preparation for the trial on the patent phase of this case, petitioner's counsel located several letters which had been sent to certain municipalities in the United States under the letterhead of "Activated Sludge Processes of America" with an address in Chicago. The letters were signed by Franklin Mayo, General Manager (R. II, 22, 64). In order to ascertain the identity of Activated Sludge Processes of America and its relation to the patents in suit, petitioner called as its witnesses the two persons who were fully conversant with the

situation, namely, the plaintiff Guthard and the General Manager, Franklin Mayo. Guthard's direct examination on this point reads as follows (R. III, 877):

"Q. Were you three gentlemen owners of that arrangement?
A. Yes, we were.
Q. Was that through some contract between you and Mr. McCaleb and Mr. Mayo?
A. As I recall, we only had a gentlemen's three party agreement.
Q. That was an oral agreement. What was the gist of that oral agreement?
A. We were equal owners, one-third owners.
Q. If I understand you, by this oral agreement you and Mr. Mayo and Mr. McCaleb became joint owners of a third each of the patents in suit?
A. That is right.
Q. By virtue of your rights and your arrangement with them?
A. That's right.
Q. At the time that you sold out to the Activated Sludge, Inc. did Mr. Mayo and Mr. McCaleb execute any agreement at the same time you made an arrangement?
A. I don't remember.
Q. But you do remember that you each had a third interest in those patents at that time?
A. Yes."

The manner in which Mayo was led by respondents' then counsel, who was a partner of McCaleb, one of the co-adventurers, to falsify the facts is made apparent by the following cross-examination (R. III, 873):

"XQ. This Activated Sludge Processes of America as the name appears on these letterheads on which you wrote these letters to which your attention has been called—was that a corporation?
A. No.
XQ. What was it?
A. **As I recall it was a trust.**"

Respondents' counsel evidently felt that that was a dangerous answer and might disclose that the trust was expressed in a written agreement which, respondents' counsel knew, would reveal respondents' conspiracy to conceal Dilling. Note how respondents' counsel by his leading questions caused Mayo to change his original answer (R. III, 873-4):

> "XQ. Well, was it the name under which Mr. Guthard operated?
> A. Yes.
> XQ. In one way or another?
> A. Yes.
> XQ. The details of which you do know or don't know now?
> A. Not in detail, no, I don't.
> XQ. Do you know anything more about it than what you have said?
> A. No.
> XQ. **Are you sure there was a trust?**
> A. **No.**"

On re-direct examination Mayo further testified (R. II, 23):

> "The trust I spoke of as being created was an understanding or something of that sort, where my interest was protected, because the contract was in the name of Guthard.
>
> I do not remember whether the trust was in writing.
>
> My proportion of the ownership of this license agreement was one-third. Mr. Guthard, Mr. McCaleb and myself each had one-third interest in this license agreement." (See question and answer form at R. III, 874).

Mayo further testified (R. III, 858, 9):

> "Q. Just what was your duty in connection with the—in connection with Mr. Guthard's relationship to these patents referred to in this license contract, Defendant's Exhibit 181?

A. I was appointed General Manager of the Association or parties, and my duties were to handle the correspondence.
Q. What do you mean by general manager of the association?
A. Well, I mean the parties to the agreement appointed me to take care of the correspondence.
Q. Which parties?
A. Guthard.
Q. Were there any other parties in this association that you have referred to?
A. Yes.
Q. Who were they?
A. A. G. McCaleb.
Q. Anyone else?
A. No."

In that way the petitioner and the Court were skillfully misled and deceived into believing that Activated Sludge Processes of America was merely a name for the business owned by Guthard, or Guthard, Mayo and McCaleb, and was organized under oral arrangement. When Dilling subsequently filed suit against his co-adventurers, and Guthard and Mayo were confronted with their testimony in this case, they were both forced to admit that it was false (R. II, 31-3).

In said Dilling suit, Mayo was asked before the Master (R. II, 31):

> "Q. And you stated under cross-examination of Mr. Williams at that trial *(Guthard et al* v. *The Sanitary District of Chicago)* that you were not sure it was a trust didn't you? A. I didn't know."

Counsel then confronted him with a sentence from the record in this case wherein the witness had stated (R. II, 31):

"I am not sure that there was a trust."

The witness was then asked (R. II, 31):

"Q. Were you asked this by Mr. Lane on redirect examination this question and did you give this answer: 'It is an understanding or something of the sort, as I recall, where my interest was protected, because the contract was in the name of Guthard.'

Were you asked that question and did you give that answer?"

The witness answered—

"I don't remember." Master's Rec. 2061-6.

"Q. Was that in writing? A. I don't recall.

Q. Were you asked that question or did you give that answer? A. I don't know.

Q. Well, if you did give—if you did answer that last question—that is you and Mr. McCaleb and Mr. Guthard had one-third each in that Trust. A. One-third each in this trust, yes, sir.

Q. If you made that answer it was a lie, wasn't it?"

Objection to the form of the question.

The witness answered—

"One-quarter was what I had, interest in that trust.

Q. And your answer would be that that answer, if you made it that way, **was not the truth. A. Yes.**"

The witness Guthard, while on the stand in the *Dilling* case, was asked by Dilling's attorney about his previous testimony in this case (R. II, 32):

"Q. And at that time and place did you say that the arrangement between yourself and McCaleb and Mayo was an oral one? A. Well, yes. I testified that it was an oral agreement, referring to the original agreement.

Q. Well, it wasn't an oral agreement was it? A. No, it wasn't.

Q. It was a written agreement. Well when you said it was an oral agreement you didn't tell the truth did you? A. I told the truth as I saw it at that time.

Q. Well your agreement with McCaleb and Mayo was in writing, wasn't it? A. Yes. Master's Rec. 2067.

Q. **And when you said it was an oral agreement that was not the truth was it? * * * A. Well, I would say it was not the truth.**

Q. **And when you said that you were one-third owner that was not the truth either, was it? A. No.** Master's Rec. 2068."

In the suit brought against Milwaukee by respondents, similar care was exercised by respondents' then counsel to conceal all evidence which might reveal the relationship of Dilling to these cases. In a brief filed in that case respondents' counsel made reference to an agreement not in the record between Activated Sludge, Inc. and Edgar C. Guthard which contained, according to respondents' counsel, the following provision (R. II, 363):

> "When and if the said 150 shares of Class C stock of second party (plaintiff) is issued and delivered to Edgar C. Guthard, trustee as hereinbefore provided, first party (Guthard) shall be deemed to have relinquished any and all rights and interest whatsoever which it has or might have in or under the agreements hereinbefore listed."

The document from which respondents' counsel purported to quote the foregoing paragraph was not in evidence and had never been seen by Milwaukee's counsel or the court. We now know, as the result of the discoveries in the *Dilling* case, that respondents' counsel were referring to the agreement dated January 27, 1927, which describes its parties as follows (R. II, 95):

> "Activated Sludge Processes of America (a trust estate created by a certain Trust Agreement dated the 25th day of July, 1924) herein called First Party, and Activated Sludge, Inc., a corporation organized and existing under the laws of the State of Delaware, herein called Second Party".

Further examination of said document reveals that respondents' then counsel inserted in their quotation from said agreement the word "(plaintiff)" after the words "second party" and the word "(Guthard)" after the words "first party". This was an inexcusable misrepresentation designed to conceal the relationship of "Activated Sludge Processes of America" to the title of the patents in suit. The first party to said agreement was not Guthard, it was Activated Sludge Processes of America. If it had been revealed that there was a document to which Activated Sludge Processes of America was a party, it might have rekindled the curiosity of petitioner's counsel in respect to Activated Sludge Processes of America, and had respondents been required to expose the document from which their quotation was taken, it would have revealed that Activated Sludge Processes of America was a trust created by a certain trust agreement dated July 25, 1924 and that agreement would have disclosed Dilling. In order to conceal the relationship of Dilling to respondents, their then counsel chose to misquote to the court a document not in the record in the Milwaukee case and not then in the record in the case at bar.

Petitioner would probably never have learned the truth about Dilling and his relation to this suit had not Dilling and his associates become involved in a dispute which resulted in Dilling's filing suit against his former associates (R. II, 23-31). From the disclosures made in said Dilling suit, petitioner learned for the first time that its former Chief Engineer was responsible for the acquisition of the patents in suit by respondents and the instigation of this litigation, that Dilling himself had a substantial interest in the patents and that Dilling claimed in his suit that he had been fraudulently deprived of such interest by the respondents herein, their attorneys and associates (R. II, 24, 25).

The fraudulent conspiracy concerning the concealment of Dilling, carried out by false pleadings, false testimony and false statements of respondents' then attorneys, is compounded by the sorry spectacle of manipulation in the Dilling case in 1939 whereby further attempts were made to forever conceal the above fraudulent practices. After petitioner learned that testimony had been taken in the suit brought by Dilling against his co-adventurers and that the Master had prepared a draft report to the effect that Dilling had a valuable interest in the patent rights, it filed a petition in the Dilling case asking that the records, testimony and exhibits be preserved and for an inspection thereof (R. II, 26). Said motion was continued with arrangement to permit petitioner's counsel to inspect said record (R. II, 27). Shortly thereafter, and without any notice to petitioner, the parties in the Dilling case secured a remarkable order directing:

> "that the draft report of the Master herein be, and it hereby is suppressed as incomplete, and all copies are ordered to be returned instanter to Charles A. McDonald, Master in Chancery, to be by him destroyed" (R. II, 33)

and—

> "The Master is directed to return to the respective parties the several exhibits and documents submitted in evidence before the Master, and the respective manuscripts of testimony, briefs, objections, exceptions and suggestions" (R. II, 33).

On the following day, July 1, 1939, and without notice to petitioner, the Dilling case was dismissed by consent, notwithstanding that petitioner's petition for examination and preservation of the record was still pending. By this perfidious conduct of respondents in prostituting the processes of the court to destroy court records, petitioner suffered great difficulty and delay in securing evidence of the fraud-

ulent conduct herein presented and was in fact denied an opportunity to secure all of it. We now learn that Dilling was to receive at least $100,000 of the anticipated recovery (R. I, 20).

By reason of respondents' objections petitioner has been denied the ordinary right to pre-trial depositions under Rule 26 of the Rules of Civil Procedure so that full inquiry into the fraudulent suppression of evidence has been frustrated by the court below (R. I, 33-35).

In spite of these facts, all of which stand admitted on this record, the courts below have decided that respondents are entitled under the law to recover, notwithstanding the unconscionable conduct of respondents in suppressing and concealing evidence from petitioner and the court. Aside from a question of title not urged here, the first opinion of the District Court concerned itself only with the following question, as stated by the District Court (R. III, 885):

> "that the suit should be dismissed for the reason that it was inspired, filed and prosecuted through the action of one Dilling, formerly chief engineer of defendant, who, it is alleged, learned the facts concerning the vulnerability of defendant to patent litigation under the patents here involved while employed by defendant."

The District Court did not refer to or distinguish the case of *Trice* v. *Comstock,* 121 Fed. 620 (C. C. A. 8), a leading authority holding that the duty of an employee to be true and faithful to his employer "is as sacred and inviolable after as before the expiration" of his employment (p. 625), so that an employee cannot after his employment ceases, as Dilling did here, take advantage of the information acquired by him during his employment to prevent his former employer from accomplishing certain of the purposes of their relationship.

The District Court concluded (R. III, 899):

> "* * * that the new evidence is not competent, relevant or material, and that if it were produced and received it would in no wise justify a reopening of the decree."

Recognizing that the District Court had misconceived the law in believing that the suppressed evidence must in itself constitute a good defense to the action, petitioner urged before the Court of Appeals the reasoning of the Supreme Court and that of the Sixth Circuit Court of Appeals in

> *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240,

that no relief would be given to one who tried to suppress evidence which caused it anxiety as to the soundness of his case even though such evidence was immaterial. This is made clear in the opinion of the Sixth Circuit Court of Appeals (62 F. (2d) 48, 50):

> "The next insistence of the plaintiff is that the alleged misconduct should not be held to constitute a bar since it related to an immaterial matter; the Joplin use being in truth and in fact but an abandoned experiment. * * * This seems to us to be immaterial. We are not here and now concerned with a question of anticipation, but of conduct, and certain it is that there was enough in the information communicated to Downie to cause uncertainty and anxiety to him and to the plaintiff, and to bring about the action finally taken. If the conduct was reprehensible, it matters not that it was really unnecessary."

The court below affirmed the District Court with a short opinion which contained the statement that the District Court had heard "voluminous evidence" when in fact no trial had taken place (R. III, 920). Petition for certiorari to this Court was denied (313 U. S. 583) but it may be

assumed that such denial was based on the lack of a final order (*Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251, 258).

Prior to the accounting trial and on the basis of the recent case of *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238, in which this Court devitalized a judgment entered twelve years earlier, and of *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach Co.*, 324 U. S. 806, in which this Court reversed the Seventh Circuit Court of Appeals in a similar case, petitioner filed its petition on June 18, 1945, only to have paragraph 4 thereof stricken by order of the District Court (R. I, 9-35), and petitioner was enjoined from offering any evidence on that subject (R. I, 35). In its unreported opinion the District Court attempted to distinguish the cases of this Court cited above on the ground that in those cases the suppression of evidence went to the validity of the patents themselves and not to the conduct of the plaintiff before the court (*ante*, p. 4).

It has been said that this Court usually does not grant certiorari to reiterate well-established principles of law despite the fact that the decision below clearly departed from those principles, and it may be argued that the decisions of this Court cited above are sufficiently clear that this Court will not tolerate fraud or suppression of evidence when practiced in the federal courts. However, there is a more compelling reason for this Court's assuming jurisdiction even though there were presented no question regarding the desirability of clarifying and settling the principles of law involved. This compelling reason must have been the motivation which led this Court to accept jurisdiction in the *Hazel-Atlas* and *Precision Instrument* cases albeit the questions involved in those cases were not substantially dif-

ferent from those settled in the *Keystone Driller* case. This Court granted certiorari in those cases, as it should here, because it is alert to strike down and condemn any conduct on the part of litigants or their counsel which is likely to bring the judicial system of the United States into disrepute and dishonor. This Court cannot close its eyes to the kind of reprehensible conduct charged in the petitions presented by petitioner in the court below.

This Court, constituting as it does the head of one of the three great coordinate branches of our government, has always been highly sensitive to the necessity of maintaining at all times the dignity, integrity and respect of the Courts and has always stricken down and will continue, as we believe, to strike down, any unconscionable and inequitable conduct which might affect the standing of and the high respect which at all times should be accorded the judicial branch of our government.

The select phrasing of Justice Cardozo in

> *Meinhard* v. *Salmon,* 249 N. Y. 458, 164 N. E. 545, 546,

while directly applicable to Dilling's breach of his fiduciary relationship to petitioner, pertains with like force to the standards of conduct which must prevail in the institution and carrying on of litigation:

> "Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the 'disintegrating erosion' of particular exceptions. *Wendt*

> v. *Fischer,* 243 N. Y. 439, 444, 154 N. E. 303. Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd. It will not consciously be lowered by any judgment of this court."

II.

THE FINAL JUDGMENT ON THE ACCOUNTING SHOULD BE REVERSED BECAUSE IT IS PREDICATED ON LEGAL PRINCIPLES WHICH ARE IN CONFLICT WITH THE DECISIONS OF THE SUPREME COURT AND OTHER CIRCUITS.

A. The "extra damages" awarded by the court below is without precedent and has no basis in principle.

Included in the judgment for $950,000 is an unstated amount for "extra damages" (R. I, 68-70). The phrase "extra damages" is not found in the law dictionaries of Bouvier or Black or in "Words and Phrases" and is apparently a figment of the District Court's creation. It introduces a novel concept into the law of damages in patent infringement cases and has, we submit, no precedent in the authorities and no reason in principle. Before other courts follow the precedent found in the opinion below and a body of law be developed around a fallacious ruling, this Court should let it be known whether or not it sanctions this innovation in the law.

There is no reason for the award of any damages in this case other than a reasonable royalty. Conclusion of Law 2 of the court below is that "plaintiffs are entitled to recover on the theory of general damages by way of reasonable royalty" (R. I, 51). This is supported by the stipulation between the parties that respondents "suffered no damages because of lost sales" and do not "seek to recover any monetary sum or sums as profits" (R. I, 507).

One of the best definitions of reasonable royalty is found in the opinion written by Judge Denison in

Egry Register Co. v. *Standard Register Co.*, 23 Fed. (2d) 438 (C.C.A. 6, 1928),

as follows (p. 443):

> "To adopt a reasonable royalty as the measure of damages is to adopt and interpret, as well as may be, the fiction that a license was to be granted at the time of beginning the infringement, and then to determine what the license price should have been. In effect, the court assumes the existence ab initio of, and declares the equitable terms of, a supposititious license, and does this nunc pro tunc; it creates and applies retrospectively a compulsory license. * * *
>
> In fixing a reasonable royalty, the primary inquiry, often complicated by secondary ones, is what the parties would have agreed upon, if both were reasonably trying to reach an agreement."

The problem before the court below was to determine the amount of the license fee or royalty under the "supposititious license" which was to be retroactively constructed. Once the amount of the reasonable royalty was determined, the only question remaining was whether or not exemplary or punitive damages should be added under the statute which gives the court discretionary power to do so.* The court below considered and resolved that question by deciding that exemplary damages may not be awarded against a municipal corporation and expressly stated (R. I, 70):

> "I have carefully avoided any allowance in the nature of exemplary damages . . ."

The "extra damages" must therefore be something in addition to the reasonable royalty but short of increased damages under the statute. This would require the "extra

* 35 U. S. C. A., Sec. 70.

damages" to occupy an area between reasonable royalty or general damages and exemplary or punitive damages which, until the decision below, no one knew existed.

The true nature of the "extra damages" becomes apparent when study is made of the two elements considered by the court below in determining the amount of the "extra damages." The first element is stated as follows (R. I, 70):

> "• • damages purely compensatory which are elusive but which plaintiffs ought to recover, not as punishment but as reimbursement for what plaintiffs have actually lost."

The other element is stated as follows (R. I, 70):

> "In this connection I have not given weight to the amount of fees of counsel but have considered *the fact* that the plaintiffs have been compelled to sustain long and expensive litigation."

The reason motivating the court below to award the "extra damages" is apparently revealed in Findings of Fact 46-48 and, in particular, Finding of Fact 48 which states (R. I, 50):

> "Defendant was a persistent and deliberate infringer and this is another factor which may be taken into consideration in assessing general damages in this suit."

We submit that the persistent and deliberate nature of the infringement might, in a proper case, entitle the court to award exemplary damages, but inasmuch as exemplary damages cannot be awarded in this case, there was no basis whatsoever for the award of so-called "extra damages" over and above the amount of the reasonable royalty. As explained in our petition (*ante,* 10-11) there was no basis for the finding that petitioner was guilty of persistent and deliberate infringement.

The elements considered by the trial court in allowing "extra damages" are those which are usually considered

in allowing increased damages under the statute by way of exemplary or punitive damages and cannot be allowed by way of primary or general damages (*Aladdin Mfg. Co.* v. *Mantle Lamp Co.*, 116 F. (2d) 708, 716-717 (C.C.A. 7)). The "elusive" damages which the court below held that "plaintiffs ought to recover" for what they "actually lost" are not defined by the court below. However, the repeated reference by the court below to the age of the case and the fact that it made calculations on the basis of compound interest at 5% per annum "to make plaintiffs whole now on what they would have received then" make it fairly clear that the court below included in the "extra damages" some amount for interest from the date when the suppositious licenses would have been made (R. I, 64-65). Obviously, the fact that the accounting trial in this case did not take place until many years after the suit was filed does not operate to enhance the rights of respondents. The law is well established that interest is not allowable on reasonable royalty until its amount is liquidated by a master's report or judgment. Although there was considerable conflict of authorities on this point before the decision of this Court in *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U. S. 448, the rule was settled in that case, the language of Justice Cardozo on this point being as follows (p. 459):

> "If, however, an award of damages upon the basis of a reasonable royalty becomes appropriate again, we think that interest should run from the date when the damages are liquidated, and not, as by the present decree, from the date of the last infringement. *Crosby Steam Gage & Valve Co.* v. *Consolidated Safety Valve Co.*, supra (141 U. S. at pp. 457, 458 * * *; *Tilghman* v. *Proctor*, 125 U. S. 136, 160, 161, * * *; *Mowry* v. *Whitney*, 14 Wall. 620, 653, * * *. There are no exceptional circumstances justifying a departure from what is at least the general rule."

The second element considered by the court below is no less elusive than the first, relating as it does to "the fact"

that plaintiffs have sustained long and expensive litigation and disavowing any intention of allowing counsels' fees as such. The distinction between the amount of fees of counsel, to which the court below states that it gives no weight, and the fact that plaintiffs sustained long and expensive litigation, to which consideration is given by the court below, is so tenuous as to be nonexistent. The inference is inescapable that in allowing "extra damages" the court below considered the cost of litigation, an element which cannot be properly considered in the estimation of damages in patent infringement cases save by way of exemplary or punitive damages. It was early stated in

Teese v. *Huntingdon*, 23 How. 2 (1860),

where the Supreme Court approved the exclusion of evidence relating to attorney's fees in a patent infringement case, that (pp. 8-9):

> "Counsel fees are not a proper element for the consideration of the jury in the estimation of damages in actions for the infringement of a patent right. The point has been directly ruled by this court, and is no longer an open question. Jurors are required to find the actual damages incurred by the plaintiff at the time his suit was brought; and if, in the opinion of the court, the defendant has not acted in good faith, or has caused unnecessary expense and injury to the plaintiff, the court may render judgment for a larger sum, not exceeding three times the amount of the verdict."

To the same effect see:

Oelrichs v. *Spain*, 15 Wall. 211 (1872)
Day v. *Woodworth*, 13 How. 363 (1851)
Missouri Pacific R.R. Co. v. *Larabee*, 234 U.S. 459 (1914)

Inasmuch as the "extra damages" awarded by the court below cannot, by virtue of the court's own holding, be treated as exemplary or punitive damages, they must constitute part of the general damages. However, the general

damages cannot, under the decisions of this Court referred to above, include such elements as lost interest or litigation expense.

Whatever other elusive items may be included in the concept of "extra damages" defies the imagination, especially in view of the Conclusions of Law of the court below that the general damages in this case consist of a reasonable royalty (R. I, 51). The factors to be considered in determining the amount of the reasonable royalty are correctly expressed by the court below and do not include any of the elusive elements considered by the court in awarding "extra damages" (R. I, 51)

The rules of damages in patent infringement cases have become well delineated during the past century and a half and no utility obtains in the idea of "extra damages" invented by the court below. A creature of such nebulous nature as this concept of "extra damages" can cause nothing but confusion. It is apparent that the concept of "extra damages" was used by the court below to do indirectly what it had decided could not be done directly, that is, it allowed increased damages for an infringement which it considered to be persistent and deliberate and called them compensatory damages, whereas they were in reality exemplary or punitive damages which could not have been allowed as such. The exercise by this Court of its supervisory jurisdiction is required to abort this illegitimate concept.

B. The Findings of Fact of the court below violate the Rules of Civil Procedure and do not follow the decisions of this Court.

Nowhere in the Findings of Fact, Conclusions of Law and Opinion of the District Court, adopted without opinion by the Court of Appeals, is there any explanation or suggestion as to how much of the judgment constitutes the

reasonable royalty and how much the "extra damages." Nowhere can be found any statement as to how the figure of $950,000 was computed. The figure of $950,000 does not appear anywhere in the evidence and cannot be found in the Findings of Fact or Opinion of the District Court except in the arbitrary award. The figure closest to $950,000 found in the opinion of the District Court is $985,817, said to be 3% of the cost of constructing the infringing plants (R. I, 65).*

An accounting trial should result in an arithmetical statement which sets forth the figures entering into the final award. The proper procedure is followed in

Power Specialty Co. v. *Connecticut Light & Power Co.*, 80 F. (2d) 874 (C.C.A. 2),

in which the opinion concluded as follows (p. 879):

"The appellee is entitled to a decree for damages as follows:

(1) Appellant's profits on installation 1—Franklin Sugar Co.—as approved by the court below	$16,565.43
(2) For the loss of one installation, Western United as found below	5,415.18
(3) 15% royalty on the appellant's selling price of the remaining installations	29,707.52
(4) Plaintiff's loss due to reduced price in New York Steam installation of	5,881.79
Making a total of	$57,569.92"

In

Kelley v. *Everglades Drainage District*, 319 U.S. 415 (1943),

* This figure is 3% of $32,860,569.46 which is the total construction cost of not only the three plants involved but also the Calumet Extension Plant (R. I, 531) which by the court's Conclusion of Law 6 (R. I, 52) is not to be included in the recovery. The cost of the Calumet Extension is $6,409,260.37 (R. I, 531) and 3% thereof is $192,277.81, a sizeable error.

the Supreme Court reviewed a decree confirming a plan for composition of debts of a drainage district and held that the findings of fact were inadequate in failing to specify past and present revenue and the assessed value of the property subject to tax so that the fairness of treatment of the different classes of creditors could be determined. In vacating the decree and remanding the case, the Supreme Court said (pp. 420, 421):

> "To support such determinations, there must be findings, in such detail and exactness as the nature of the case permits, of subsidiary facts on which the ultimate conclusion of fairness can rationally be predicated.
>
> • • • • •
>
> It may be that adequate evidence as to these matters is in the present record. On that we do not pass, for it is not the function of this court to search the record and analyze the evidence in order to supply findings which the trial court failed to make. Nor do we intimate that findings must be made on all of the enumerated matters or need be made on no others; the nature of the evidentiary findings sufficient and appropriate to support the court's decision as to fairness or unfairness is for the trial court to determine in the first instance in the light of the circumstances of the particular case. We hold only that there must be findings, stated either in the court's opinion or separately, which are sufficient to indicate the factual basis for the ultimate conclusion."

There are no findings of fact which will enable a reviewing court to determine the soundness of the ultimate finding that the general damages amount to $950,000.

When the District Court considered the monetary savings which respondents alleged were realized by petitioner in constructing and operating the infringing plants, the court did not find that savings in any amount were realized but preceded its findings with the phrase "Plaintiffs' evi-

dence also indicates" or "Plaintiffs' evidence indicates" (Findings of Fact 30 and 33; R. I, 46-47). After reviewing some of respondents' evidence in Finding of Fact 30 the District Court states the alleged amount of yearly savings "from this viewpoint" (R. I, 46), apparently referring to the viewpoint of respondents' evidence rather than that of the court. Such so-called findings are not findings at all but simply a review of the evidence of one of the parties. In

> *Brown Paper Mill Co.* v. *Irvin,* 134 F. (2d) 337 (C.C.A. 8, 1943),

Judge Sanborn stated the rule as follows (p. 338):

> "Findings of fact should be 'a clear and concise statement of the ultimate facts, and not a statement, report, or recapitulation of evidence from which such facts may be found or inferred.'"

This should make it evident that the judgment should be reversed, if not for any other reason, on account of the failure of the court below to make findings in compliance with the Rules and the decisions of this Court.

C. The judgment for $950,000 is not based on any tangible evidence which is necessary to convert into dollars such elements as the character of the inventions, their advantages and disadvantages, extent of use and popularity.

Respondents based their case upon the alleged broad and pioneer character of the patents in suit and the large installations constructed by petitioner alleged to utilize the inventions described in such patents. No attempt was made to translate such intangible factors into dollars. To prove that the patents in suit are broad, of pioneer character, outstanding and meritorious does not accomplish the objective at hand, namely, to place a dollar value upon a supposititious license under certain patents to the petitioner for the infringing plants and for the period of infringement.

The applicable rule is stated in

American Tel. & Tel. Co. v. *Radio Audion Co.*, 5 F. (2d) 535 (D. C. Del.),

as follows (p. 536):

> "It is, of course, obvious that even in cases in which the only proper standard for the measurement of the damages is that of reasonable royalty, there may be lacking sufficient evidence to disclose what a reasonable royalty would be. The Dowagiac and Frumentum Cases, upon their presentation to the Supreme Court and the Court of Appeals, respectively, were instances of this type.
>
> * * * since there was no established royalty, and since the plaintiff has not lost any sales or suffered any lessened profits by reason of the infringement, the only standard of measurement of damages at all available to the plaintiff is that of reasonable royalty. But that *standard is also unavailable* to the plaintiff *unless the evidence* in the record *is sufficient* in character and amount *to disclose what sum would constitute a reasonable royalty* upon a tube embodying the inventions of the patents in suit."

The court in that case did not determine the reasonable royalty upon uncertain evidence relating in a general way to the character of the inventions, their advantages, utility, etc. The court sought and found in the record something tangible in the shape of three licenses which plaintiff had made shortly prior to the infringements involved. One license was at $1.00 per tube and the others at 80 cents per tube. The court fixed the reasonable royalty at 80 cents per tube and said (p. 537):

> "I think these three contracts pertinent evidence upon the question of the amount of a reasonable royalty."

The correct rule was early stated in

Philp v. *Nock*, 84 U.S. 460,

as follows (p. 462):

> "Where the plaintiff has sought his profit in the form of a royalty paid by his licensees, and there are no peculiar circumstances in the case, the amount to be recovered will be regulated by that standard. If that test cannot be applied, he will be entitled to an amount which will compensate him for the injury to which he has been subjected by the piracy. In arriving at their conclusion, the profit made by the defendant and that lost by the plaintiff are among the elements which the jury may consider.
>
> * * * * *
>
> The plaintiff must show his damages by evidence. They must not be left to conjecture by the jury. They must be proved, and not guessed at."

The practice of the courts below is at variance with that of the Sixth Circuit Court of Appeals as expressed in

> *Horvath* v. *McCord Radiator & Mfg. Co.*, 100 F. (2d) 326 (C.C.A. 6),

in which the court said (p. 336):

> "In every case, the court should sift the evidence and place its determination of reasonable royalties on something tangible if it can be found in the record in order to avoid an arbitrary conclusion."

The rule followed by the Second Circuit Court of Appeals is tersely stated by Judge Learned Hand in

> *Cincinnati Car Co.* v. *New York Rapid Transit Co.* 66 F. (2d) 592 (C.C.A. 2, 1933),

(p. 595):

> "* * * we must find some basis in the evidence; we cannot conjure figures from our own minds."

The action of the courts below is analogous to that taken by the master and trial court in the leading case of

> *Rude* v. *Westcott*, 130 U. S. 152,

which was described by this Court as follows (p. 166):

> "The master does not appear to have given weight to the judgment of any of the witnesses, but concluded, though by what process of reasoning is not perceived, that seventy-five cents on each one-horse drill and double that sum on each two-horse drill would be the proper amount to allow; and as he had found, though upon testimony equally loose and insufficient, that there were one thousand one-horse drills and an equal number of two-horse drills, he reported that the complainants were entitled to $2,250 as damages. The court was not satisfied with his conclusion, and, without stating the ground of its action, ordered the amount to be reduced to $1,800 as damages which the plaintiff should recover • • •."

The poverty of respondents' evidence was such that the petitioner's motion to dismiss the action at the close of respondents' case should have been granted or only nominal damages awarded (R. I, 236). A parallel case is

Black v. *Thorne,* 111 U. S. 122,

in which the reasoning of Justice Field is especially applicable to this case (p. 124):

> "It does not always follow that because a party may have made an improvement in a machine and obtained a patent for it, another using the improvement and infringing upon the patentee's rights will be mulcted in more than nominal damages for the infringement. If other methods in common use produce the same results, with equal facility and cost, the use of the patented invention cannot add to the gains of the infringer, or impair the just rewards of the inventor. The inventor may indeed prohibit the use, or exact a license fee for it, and if such license fee has been generally paid, its amount may be taken as the criterion of damage to him when his rights are infringed. In the absence of such criterion, the damages must necessarily be nominal."

Inasmuch as there was no competent evidence introduced by respondents to convert into dollars the intangible qualities of the patents in suit, it is evident that the court below arrived at the figure of $950,000 by following methods which have been condemned by this Court and Courts of Appeals of other Circuits. The error in law of the court below is rendered all the more palpable by reason of the fact that petitioner introduced specific evidence by which the reasonable royalty could be determined. The undisputed evidence introduced by petitioner shows that Activated Sludge, Ltd., the patentee and one of the original plaintiffs in this case, established a standard royalty charge for the patents in suit together with five other related patents and that offers were made to license American municipalities under such patents at the royalty rates stipulated in said standard royalty charge (R. I, 258, 704-6, 715-6, 726, 789). The evidence further shows that the exclusive licensee in the United States under the patents in suit made offers to many American municipalities to license them under said patents at license fees which coincided with the same schedule of royalty charges (R. I, 722-6, 742-5, 783-793, 799-806). These offers made in the course of normal business dealings and for the purpose of entering into license agreements, all made at or shortly prior to the commencement of the infringements involved herein, are graphically shown on Defendant's Exhibit A-116 (copy of which is attached hereto as Appendix "A").

On the basis of such uncontradicted evidence proving the monetary evaluation of licenses under the patents in suit and other related patents by the respondents themselves, the reasonable royalty allowable in this case cannot exceed $90,000. Respondents themselves in their settlement with Cleveland placed a value of 43.4% of the entire amount upon Patent No. 1341561—a patent held invalid in

this case. The $90,000.00 should therefore be reduced by 43.4% (R. I, 622, 780). The value placed upon the licenses under the patents in suit by the respondents themselves was corroborated by the opinion testimony of exceptionally qualified witnesses that the reasonable royalty should be approximately $50,000 (R. I, 432-4, 482-3). Respondents offered no opinion testimony.

This evidence was supplemented by other evidence introduced by petitioner, principally through contemporaneous documents emanating from impartial authorities, which analyze the character of the inventions, their advantages and disadvantages, their popularity, reputation, demand and extent of use, as they were understood to be at the time and immediately preceding the infringements involved herein (R. I, 802, 807, 810, 818). Such evidence proved that the activated sludge process was not superior, but in many respects inferior to the comparable Imhoff tank and trickling filter method, which was available as an alternative method of sewage treatment and under which petitioner could have obtained a license for approximately $14,000 (R. I, 809).

In ignoring specific evidence introduced by petitioner and in taking a figure which could have been based only upon conjecture and guesswork, the courts below have departed so far from the judicial processes required in determining the damages that this Court's intervention is necessary. Although superficially the Findings of Fact and Opinion of the District Court bear the aspect of thorough and impartial consideration of all the evidence, the judgment for $950,000 is not supported by any competent evidence in the Record.

III.

THE COURT BELOW ERRONEOUSLY HELD THE PATENTS IN SUIT VALID BY ADOPTING PRINCIPLES OF LAW WHICH ARE AT VARIANCE WITH THE DECISIONS OF THE SUPREME COURT.

In addition to the other reasons for the exercise by this Court of its supervisory jurisdiction, it can be readily shown that the patents themselves are invalid. This can be done without reviewing or weighing the evidence but simply by perusing the opinions of the court below. Those opinions make it clear that, even assuming that the court below made proper findings of fact, the patents were held valid by the application of principles of law which are at variance with the decisions of this Court, including certain decisions rendered after the entry of the interlocutory decree was affirmed by the court below.

The patents in suit have not been considered anywhere except in the Seventh Circuit. There are no other cases pending anywhere involving the patents in suit and all the patents expired many years ago. This is the only case involving the patents in suit in which a final judgment was entered by any Court of Appeals. There consequently exist in this case the same grounds for granting certiorari as existed in other cases in which this Court granted certiorari because of the improbability of there ever arising a conflict of decision between the circuits.[1]

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[1] *Muncie Gear Works* v. *Outboard, Marine & Mfg. Co.*, 315 U. S. 759, 765, 766, "* * * we granted certiorari in view of the questions presented and because the patent dominates a substantial portion of an industry so concentrated in the Seventh Circuit that litigation in other circuits, resulting in a conflict of decisions, is unlikely."

Schriber-Schroth Co. v. *Cleveland Trust Co.*, 305 U. S. 47 (Certiorari granted because concentration of the automobile industry in the Sixth Circuit made litigation elsewhere improbable).

Mackay Radio & Telegraph Co. v. *Radio Corp. of America*, 306 U. S. 86, 89 (Certiorari granted because further litigation was improbable in view of the fact that petitioner was the only competitor of respondent in the business of world wide public radio communications).

A. The four process patents in suit were held valid by the Court below on the erroneous principle that reduction to laboratory practice by scientists was not sufficient to show prior use and that translation of the scientific discovery into commercial success constituted invention upon which to base the granting of a patent.

The process patents relate to the so-called activated sludge method of sewage treatment which is concisely described in Claim 3 of 1,286,017 as follows (R. XI, 5156):

> "... (1) treating sewage with air,
> (2) separating the activated sludge from the liquid, and
> (3) adding such activated sludge to the first mentioned air-treatment in the treatment of raw sewage, the activated sludge being mixed with the raw sewage during and by such air treatment."*

It has been long known that sewage may be purified by aeration but the long period of time required made aeration alone an impractical method for the treatment of large quantities of sewage (69 F. (2d) 577, 579-580; R. VIII, 2917). The essence of the invention, if there be any, as described in the three-step process quoted above, is found in the idea that the flocculent aerobic matter (called activated sludge) which settles at the bottom of a tank after sewage has been thoroughly aerated in the presence of sludge accumulated from previous aerations, acquires the property, when introduced into raw sewage, of accelerating the oxidation process so that large quantities of sewage may be rendered relatively innocuous within a reasonably brief period. The question is whether that biochemical process was discovered by Walter Jones, the alleged inventor under all the patents in suit, or certain chemists employed by the City of Manchester, England, who pub-

* Numerals added.

lished their work prior to any knowledge that can be imputed to Jones.

Although the case of

Corona Cord Tire Co. v. *Dovan Chemical Corp.*, 276 U. S. 358,

was cited to the court below as a decisive authority, it is not mentioned in any of the opinions below and its principles are not followed. In that case, one Kratz, a rubber chemist, discovered the superiority of a chemical accelerator known as D.P.G. in the vulcanization of rubber and demonstrated its utility by reducing it to practice in his laboratory on a small scale. However, it was not followed by commercial success because of the then high cost of D.P.G. This Court held that reduction to use need not be a commercial use and invalidated the patent in suit on the basis of Kratz' prior use. In the language of Chief Justice Taft (p. 384):

> "It is a mistake to assume that reduction to use must necessarily be a commercial use. If Kratz discovered, and completed as we are convinced that he did, the first use of D.P.G. as an accelerator in making vulcanized rubber, he does not lose his right to use this discovery when he chooses to do so for scientific purposes or purposes of publication or because he does not subsequently sell the rubber thus vulcanized or use his discovery in trade or does not apply for a patent for it. It is not an abandoned experiment because he confines his use of the rubber thus produced to his laboratory or to his lecture room."

The controlling opinion of the court below is not its opinion in this case but the one rendered earlier in the suit against Milwaukee. In its opinion in this case on the validity of the patents, the court below concluded "that the substance of all the evidence bearing upon the important questions of validity was precisely the same in

this suit as in the Milwaukee litigation" (90 F. (2d) 727, 728). We must therefore look to the opinion in the Milwaukee case for the reasoning which impelled the court below to hold the patents valid (69 F. (2d) 577). In that opinion the court below acknowledges that it had long been known that sewage could be purified by oxidation (69 F. (2d) 577, 579-580), and refers to the experimental work done in England by Dr. Fowler, Mumford, Ardern and Lockett prior to the interest of Jones in their work. The court below admits (69 F. (2d) 577, 587):

> "That Fowler and his assistants at Davyhulme discovered the bio-chemical process there can be no question, * * *"

and further finds (p. 585):

> "On April 3, the first Ardern and Lockett paper was read and its disclosures were admittedly revolutionary in their biochemical aspects."

That the Ardern and Lockett paper covers everything later claimed by Jones as his invention is made clear by the following conclusions from that paper (R. VIII, 2952):

> "The foregoing investigations have established:
>
> 1. That the resultant solid matter obtained by prolonged aeration of sewage, which has been termed activated sludge, has the property of enormously increasing the purification effected by simple aeration of sewage, or in other words it greatly intensifies the oxidation process.
>
> 2. The extent of the accelerating effect depends upon the intimate manner in which the activated sludge is brought into contact with, and upon its proportion to, the sewage treated.
>
> 3. That in order to maintain the sludge at its highest efficiency it is necessary that there should not be at any time an accumulation of unoxidized sewage solids."

The findings of the court below on this point are amply supported by the Record. Jones himself repeatedly stated that he was not the inventor of the new process. When Jones was interviewed by the Rivers Committee of the City of Manchester in February, 1915, he said (R. V, 751):

> "The effect of the first paper read on this subject, April, 1914, by Messrs. Ardern & Lockett . . . was to render the process public property. It was then open for anyone to design, invent, or patent appliances calculated to perform the mechanical side of the question."

Coombs, an employee of Jones from 1913 to 1919, testified that he heard the Ardern and Lockett paper of April 3, 1914 and

> "we [Jones and Coombs] never knew anything about experiments until the papers were read, but we knew nothing—I can say that—about what was actually being experimented with or what they had in mind for the future until the paper was actually read" (R. VI, 1409-10).

In explaining to the Rivers Committee why the patents were applied for by himself rather than by Ardern, Lockett or Dr. Fowler, all employees of the Rivers Committee, Jones stated that Dr. Fowler, "being engaged on the scientific side, did not think it would be prudent for him to apply for patents" and "I then offered, on behalf of my firm, to take out patents" (R. V, 751).

In a pamphlet issued by Jones and Attwood in May, 1915, it is made clear that they made no claim to the discovery of the process but only to the apparatus designed to practice the process (R. VIII, 3067-8):

> "This process, which for convenience is termed the 'Activated Sludge' process, has been evolved, after careful and prolonged Scientific research, by Dr. Fowler and his colleagues, Mr. Edward Ardern and

Mr. W. T. Lockett at the Corporation Sewage Works, Davyhulme, Manchester, and Captain Mumford, at the Manchester University. These gentlemen are the pioneers of the 'Activated Sludge' process described in this booklet.

Our association with them is due to our having been continuously consulted by Dr. Fowler, since September, 1913, as to the best means of aerating the experimental tanks at Davyhulme.

* * * * *

The description of the methods of working, and the probable lines of development were furnished to us by Dr. Fowler and his staff; we have made it our aim to design special tanks of various forms, and sundry mechanical appliances calculated to meet their requirements with economy and efficiency; and have with their approval protected by patents the diffusers, tanks, etc. with the object of securing for the pioneers some control over the development of the process, and thus ensure the success of every installation.

* * * * *

It will readily be recognized that the process is essentially a problem for the Bio-chemist, and its application one for the Engineer. Hence, qualified experts should be responsible for all installations."

In a trade publication, "The Surveyor and Municipal and County Engineer" of December 7, 1915, Jones said (R. VI, 1355.6):

> "The process is the invention of Dr. Fowler and his colleagues; the apparatus adopted in the experiments both in this country and America are of our design".

In an affidavit made January 10, 1917, Jones said (R. IX, 3727):

> "* * * it is a matter of public record in the technical press and elsewhere that Dr. Fowler was the discoverer of the Activated Sludge Process. Dr. Fowler did not introduce it from America, but was the discoverer of it, and whilst Messrs. Ardern & Lockett carried out experiments with the process it was under Dr. Fowler's

> guidance and directions that this was done * * *. * * * I had never heard any person state publicly or otherwise anything but that Dr. Fowler was the sole author of this process."

In May, 1923, Jones wrote to the Plumbing Trade Journal (R. IV, 471):

> "The latest and best system for the treatment of sewage is 'The Activated Sludge' System, the principle of which is 'Aeration' by compressed air, discovered by Dr. Fowler and Dr. Ardern, Manchester, developed by Jones & Attwood * * *."

What is the biochemical process that the court below and Jones admit was discovered by Dr. Fowler and his assistants and was revolutionary in nature? Certainly it was not the well-known principle that the introduction of air into sewage will result in purification. It could only have been the discovery that the introduction into raw sewage of activated sludge accumulated from previous aerations and containing aerobic bacteria will accelerate the process of purification. There is nothing more in the process patents in suit.

However, because Dr. Fowler and his assistants did not reduce the process to successful commercial use, the court below refused to attribute priority to their discovery. The reasoning of the court below is made clear by the following excerpts from its opinion (69 Fed. (2d) 584-5):

> "The disclosures [of the Ardern and Lockett paper] were bio-chemical in their nature and there was no suggestion as to how they could be translated to a practical working basis."
>
> "* * * as late as July 27, 1914, the desired method of translating the bio-chemical process had not been determined by Fowler, Ardern, Lockett or Mumford."
>
> "[Jones associated himself with the scientists who were] able to help him translate their theories into practical processes."

The court below attempted to explain Dr. Fowler's testimony that Jones was not the inventor of the process by stating that (p. 586):

> "* * * he was speaking of the bio-chemical process involved in the patents and not the method or commercial process by which the bio-chemical process was induced to perform its perfect work. This conclusion we think is supported by the following statement of Fowler: 'It was after I met Mr. Walter Jones that real progress took place in the translation from what had been a merely scientific and laboratory discovery into a practical commercial process; when I say "commercial" I mean one that is capable of being carried out in a practical manner on a large scale.' "

The District Court's interpretation of the Court of Appeals' opinion confirms the same point (8 F. Supp. 329, 332):

> "What the scientist had done is described by the Court of Appeals as a biochemical process. What the Court of Appeals credited Jones and his collaborators with was a successful reduction to practice of the operation of scientific principle, brought to light by the discovery and development of suitable apparatus and processes."

If the decision of the court below had followed the principles enunciated by this Court in *Corona* v. *Dovan* (276 U. S. 358), it would have realized that reduction to commercial use was not necessary to establish prior invention by the scientists and would consequently have found that Jones was not the inventor of the biochemical process described in the process patents.

B. The patents in suit are invalid because they were improperly considered collectively by the court below.

The leading decision of this Court in

> *Altoona Publix Theatres* v. *American Tri-Ergon Corp.*, 294 U. S. 477,

condemning the collective treatment of patents and claims of one patent, was not decided until after the opinion of the court below in the Milwaukee case. In the *Altoona* case this Court said that each claim must stand or fall, as itself sufficiently defining invention, independently of the others. In the language of Mr. Justice Stone (p. 487):

> "The Court of Appeals, in upholding the patent, made no examination of its separate claims, but treated the patent throughout as though it were a combination of five distinct elements, the photoelectric cell, the arcuate flexing of the film, the flywheel, the flexible connection of the flywheel and the optical slit, although nowhere in the patent is any such combination claimed. The patent thus upheld is one which was neither claimed nor granted. Under the statute it is the claims of the patent which define the invention. * * * And each claim must stand or fall, as itself sufficiently defining invention, independently of the others. * * * As none of the flywheel claims as drawn define an invention, none can be aided by reading into it parts of the specifications, or of other claims, which the patentees failed to include in it."

It is not necessary to study the patents to determine whether or not the court below considered the patents and their claims collectively. A reading of the opinion of the court below furnishes the answer. In referring to the series of British and American patents the court below said (69 F. (2d) 577, 588):

> "As usual, in cases where such relationship exists, the problem of precisely determining in a single case what, if any, portions of the specifications or claims of the later patents embody recognition and adoption of disclosures of the earlier patents, is not easy to solve. For that reason *the patents should be considered collectively,* and if from such consideration the patents may be reconciled upon disclosure of novel additions in the later not found in the earlier which were deemed entitled to recognition, it may not be necessary, and in this case we think it is not necessary to deter-

> mine exactly all points of mere contact or of overlapping of one as against another patent."

When the court below was later referred to the *Altoona* case on the appeal from the interlocutory decree entered in this case, it denied that it had been guilty of considering the patents and claims collectively, but its denial is not convincing (90 F. (2d) 727, 730):

> "We had no intention of doing so, and we think we did not, nor did we assign reasons for not considering the claims separately in the sense which appellant contends."

It is significant that the District Court agreed with our interpretation of the Court of Appeals' opinion and in its findings of fact said (R. XI, 5052):

> "All of these patents have a very close relationship in the act and should, the Court of Appeals found, be considered collectively."

By having considered the patents collectively, the courts below followed a practice which is at variance with the decisions of this Court and of the other circuits.

C. The apparatus patent is invalid because the claims held valid and infringed do not describe the alleged invention with sufficient particularity and distinctness.

Certiorari should be granted in this case, as it was in the recent case of *Halliburton Oil Well Cementing Co.* v. *Walker,* 91 L. ed. 15, 16, 67 Sup. Ct. 6, to consider whether the important statutory requirement of distinctness and certainty in claims was correctly applied in this case.

Claim 2 of Patent No. 1,282,587 was held to have been infringed by the North Side sewage treatment works and Claim 8 of the same patent by the small experimental DesPlaines River sewage treatment works (R. I, 4-5). In

view of the insignificant size of the latter plant, we shall confine our discussion to Claim 2 although Claim 8 is subject to the same defects as Claim 2. Claim 2 reads as follows (R. XI, 5141):

> "In an apparatus for purifying sewage, comprising a tank, *means for introducing air or oxygen* at the lower part of the tank, said tank being of a size above the air-introducing means to provide a material-receiving area above and laterally of such means and beyond the direct influence of the air from such means, the tank being inclined adjacent and laterally of the air introducing means to induce a flow of material to such means from that portion of the tank beyond the influence of such means."

The claims are invalid on their face. In simple terms, Claim 2 refers to an inclined tank and means for introducing air or oxygen at the lower part of the tank. Wherein can invention be found in such a claim? Sewage cannot be treated except by placing it in some kind of tank and the basic principles of hydraulics would dictate that the tank should be inclined. Aeration of sewage is admittedly an old principle and requires some kind of means for the introduction of air or oxygen into the sewage. The claim teaches nothing beyond these well-known principles.

If Jones had discovered a "new and useful" [1] means of introducing air into sewage and if he did "particularly point out and distinctly claim the part, improvement, or combination which he claims as his invention or discovery",[2] he might have been entitled to a patent. However, simply to claim "means for introducing air or oxygen at the lower part of the tank" adds nothing to the prior art. The claim is so broad that it includes the introduction of compressed air from perforated pipes, acknowledged by Jones to be part of the prior art (R. XI, 5537).

---

[1] 35 U. S. C. A. Sec. 31.
[2] 35 U. S. C. A. Sec. 33.

When the term "means" accompanied by a functional statement is used to designate an element or part of a claim which constitutes the essence of the invention, it will be regarded as functional and the claim is void: *General Electric Co.* v. *Wabash Corp.*, 304 U. S. 364, 371; *Westinghouse* v. *Boyden Power Brake Co.*, 170 U. S. 537, 556; *Farmers Cooperative Exchange* v. *Turnbow*, 111 F. (2d) 728, 732, C. C. A. 9; *Gynex Corp.* v. *Dilex Institute*, 85 F. (2d) 103, 105, C. C. A. 2.

If it should be argued that the claims must be supplemented by the description and drawings, the answer is that no patentable element is added by the description or drawings. The description refers to the supply of air "through air distributing means, such as porous tiles or bodies by which the air is diffused", and to the supply of air "at a plurality of points through air-supplying or diffuser bodies" (R. XI, 5139). There was nothing new, however, about the diffusion of air into liquids by compression through porous stones or other materials and in his first British patent application Jones disclaimed such elements (R. XI, 5543):

> "We are of course aware that it is known (and therefore is not broadly claimed under this invention) to raise and at the same time aerate sewage and other liquids by forcing compressed air into the lower end of a pipe which dips into the liquid and to deliver this combined column or volume of air and liquid into a tank or vessel; and it is also known to deliver air or gases into sewage and other liquids in a vessel in minute bubbles by forcing it through porous stone or the like in the bottom of the vessel."

The decision below upholding the apparatus patent can be explained only by virtue of the fact that the court below considered the patents collectively and in the other patents the means of introducing air into sewage are more par-

ticularly and distinctly pointed out. For example, in Patent No. 1,286,017 it is stated (R. XI, 5155):

> "The diffusers instead of being of porous earthenware or like solid body for breaking the air up and delivering it into the liquid in minute globules, may in some cases consist of cocoanut or other textile fiber or fabric introduced into non-corrodible metal or other perforated box or chest or conduit; or textile fabric may be placed and held over a perforated plate in the air box or chest or conduit. Or again, lead wool or ribbonite of a non-corrodible metal may be employed for the purpose."

Obviously, the more detailed description in one of the process patents cannot save the apparatus patent which omits such description.

If the description in the apparatus patent had specified patentable elements and assuming that it may be proper to construe ambiguous claims in the light of the description in order to determine the inventor's intentions, the history of the application in the Patent Office reveals that Jones refused to limit the means of introducing air to diffusers or anything else but deliberately sought, and obtained, an unlimited claim to any and all "means for introducing air". The provisional specification in the British patent, on which the apparatus patent in suit is based, stated (R. XI, 5537):

> "Our invention consists of two parts, a diffuser for breaking up the air into very small bubbles near the bottom of the tank or channel of liquid, and a circulator for replacing the liquid aerated with fresh liquid to be aerated."[3]

The British patent limits the claims to "diffused fresh air" and "subjecting the liquid to a plurality of successive increments of infusions of minute bubbles of air, produced

[3] The circulator was never used in practice, leaving only the diffuser.

by forcing such air through a plurality of porous stone or like bodies" (R. XI, 5543-4).

The original American application contained similar language but Jones' solicitor, for reasons unknown, later broadened the claims to their present form (R. XI, 5338-48). Under these circumstances the intention of the patentee is clear and the broad claims cannot be saved by limiting them to the diffusers mentioned in the description (*Aluminum Co. of America* v. *Thompson Products,* 122 F. (2d) 796, 798 (C. C. A. 6)).

In the case of

> *Halliburton Oil Well Cementing Co.* v. *Walker,* 91 L. ed. 15, 67 Sup. Ct. 6,

this Court held a patent invalid for the indefiniteness of its claims and, in particular, because the claim described the most crucial element in terms of what it will do rather than in terms of its own physical characteristics or its arrangement in the new combination apparatus. This Court alluded to the fact that not one of the claims (p. 19) "has even suggested the physical structure of the acoustical resonator".

If any invention may be found in the apparatus patent involved in this suit, it must be found in the means for the introduction of air or oxygen into the raw sewage. The claims are entirely silent on the physical structure of the means whereby air or oxygen is to be introduced into the tank. The functional claims in question are subject to the same condemnation as the claims criticized in the *Halliburton* case and the other cases referred to in the opinion in that case.

Although, as we have just pointed out, reference to the descriptive portion of the apparatus patent does not vali-

date it, this discussion regarding the validity of the apparatus patent exemplifies the confusion which exists regarding the relationship between the claim in a patent and the description and drawings thereof. The general rule is that "the claims measure the invention" (*Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U. S. 405, 419, 52 L. ed. 1122). However, there is another well-established rule that the claims must be construed in the light of the description (*Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 311 U. S. 211, 217). That rule must be administered along with another well-established rule that a claim otherwise invalid on account of indefiniteness cannot be saved by reading into it a limitation contained in the description (*De Cew* v. *Union B. & P. Corp.*, 57 F. Supp. 388, 395-6 (D. C. N. J.) and *In re Allen*, 111 F. (2d) 173 (C.C.P.A.)). The result of these conflicting and contradictory rules, all supported by good authority, is that the rule applicable to any specific case is difficult of ascertainment. The confusion is readily apparent in the discussion of the subject in Walker on Patents (Dellers Ed.) Sec. 261, which seeks to expound the rule.*

There is apparently a growing tendency on the part of the Supreme Court to require that the invention claimed be adequately described within the claim itself. In

General Elect. Co. v. *Wabash Appliance Corp.*, 304 U. S. 364,

this Court refers to the rule that claims are to be construed in the light of the description in language which casts doubt upon the Court's intention to adhere to the rule (p. 373):

---

* Confusion regarding the form and content of patent applications discussed in XXII J. of Patent Office Society, p. 24.

> "Assuming that in a proper case a claim may be upheld by reference to the descriptive part of the specification in order to give definite content to elements stated in the claim in broad or functional terms,[14] the specification of the Pacz patent does not attempt in any way to describe the filament, except by mention of its coarse-grained quality. Even assuming that definiteness may be imparted to the product claim by that part of the specification which purportedly details only a method of making the product,[15] the description of the Pacz process is likewise silent as to the nature of the filament product."

In the four cases cited in footnotes 14 and 15 of the above quoted case, reference is made to the rule that the claim may be considered in connection with the description but in three of the cases the patent was held invalid and in the fourth no infringement was found.

Although it appears that in the *Halliburton* case the specifications and drawings disclosed the physical structure of the new element (91 L. Ed. 18), the court emphasized (91 L. ed. 19):

> "But no one of the *claims* on which this judgment rests has even suggested the physical structure of the acoustical resonator."

The public interest in the scope and sufficiency of patent claims was recently emphasized in

> *United Carbon Co.* v. *Binney & Smith Co.*, 317 U. S. 228,

as follows (p. 232-3):

> "The courts in determining the questions of invention and infringement brought to them by respondent, no less than the parties-litigant, need and may insist upon the precision enjoined by the statute. To sustain claims so indefinite as not to give the notice required by the statute would be in direct contravention of the public interest which Congress therein recognized and sought to protect."

In the same case the patentee urged that the claims must be read in the light of the specification and this Court, in holding that the description in the specification, like the claim, was almost entirely in terms of function, again referred to the rule of construction in language which appears to cast doubt upon its validity by saying (p. 234-5):

> "Assuming the propriety of this method of construction * * *"

That the claims involved in this case do not comply with the statutory requirements is evident from the following definition in the *United Carbon* case of the statutory requirement (p. 236):

> "The statutory requirement of particularity and distinctness in claims is met only when they clearly distinguish what is claimed from what went before in the art and clearly circumscribe what is foreclosed from future enterprise. A zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field. Moreover, the claims must be reasonably clear-cut to enable courts to determine whether novelty and invention are genuine."

Patent applications are being prepared every day and it is important that the Supreme Court settle and determine the scope and significance of the patent claim. Reference to the statute makes it evident that the description and claim were intended to serve two independent functions. The description was intended to serve the purpose of containing such a complete description and explanation that any person skilled in the art could make or use the invention. Inasmuch as almost all inventions are improvements upon the old art, such a description would necessarily include elements old in the art. The claim was intended to perform an entirely different function, namely, to point out

with particularity and distinctness the part, improvement or combination which is claimed to constitute the invention (See Robinson on Patents, Secs. 482, 483, 505, 506, 512).

There is no room for construction of one by the other; the description and the claim must each rest on its own feet. No patent is valid if it lacks a description meeting the requirements of the statute and no patent can be valid if its claims fail to meet the requirements of the statute relating to the content of claims. The practice of construing the claim in the light of the description has led to endless confusion and uncertainty. In the instant case the Supreme Court can lay down the definite rule that claims otherwise invalid for indefiniteness and breadth or for any other reason cannot be sustained by limiting or broadening them by material contained in other parts of the patent. The claim itself must define the invention.

Conclusion.

We respectfully submit that this Court should issue its writ of *certiorari* to review and supervise these proceedings on the grounds set forth in our petition and argued in this brief, a short outline of which appears in the index, any one of the three principal grounds set forth being sufficient to justify this Court's taking this case.

Respectfully submitted,

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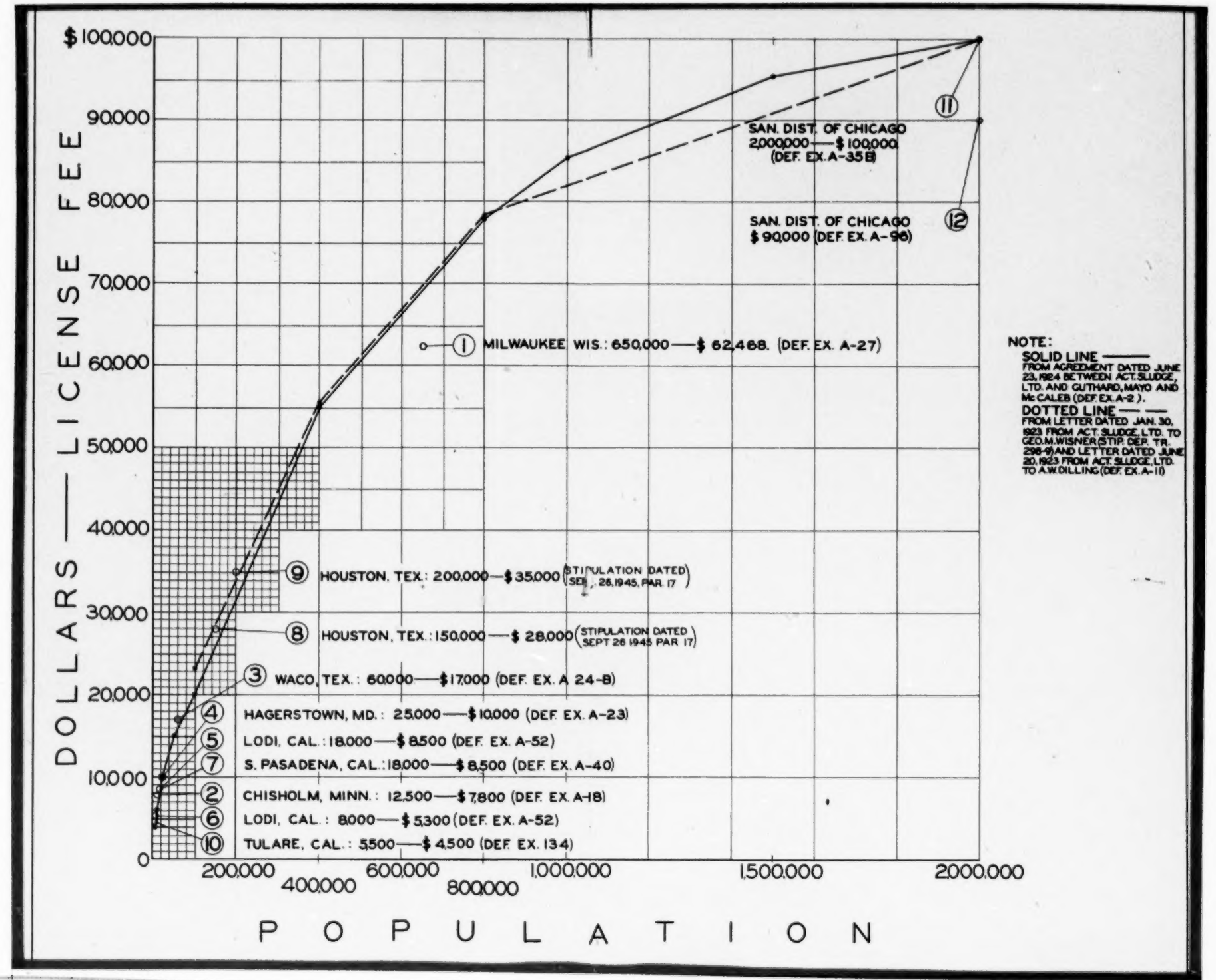
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1 MILWAUKEE, WIS.: 650,000 — $62,468. (DEF. EX. A-27)
9 HOUSTON, TEX.: 200,000 — $35,000 (STIPULATION DATED SEPT. 26, 1945, PAR. 17)
8 HOUSTON, TEX.: 150,000 — $28,000 (STIPULATION DATED SEPT 26 1945 PAR 17)
3 WACO, TEX.: 60,000 — $17,000 (DEF. EX. A 24-B)
4 HAGERSTOWN, MD.: 25,000 — $10,000 (DEF. EX. A-23)
5 LODI, CAL.: 18,000 — $8,500 (DEF. EX. A-52)
7 S. PASADENA, CAL.: 18,000 — $8,500 (DEF. EX. A-40)
2 CHISHOLM, MINN.: 12,500 — $7,800 (DEF. EX. A-18)
6 LODI, CAL.: 8000 — $5,300 (DEF. EX. A-52)
10 TULARE, CAL.: 5,500 — $4,500 (DEF. EX. 134)
NOTE:
SOLID LINE ———
FROM AGREEMENT DATED JUNE 23, 1924 BETWEEN ACT. SLUDGE, LTD. AND GUTHARD, MAYO AND Mc CALEB (DEF. EX. A-2).
DOTTED LINE — — —
FROM LETTER DATED JAN. 30, 1923 FROM ACT. SLUDGE, LTD. TO GEO. M. WISNER (STIP. DEP. TR. 298-9) AND LETTER DATED JUNE 20, 1923 FROM ACT. SLUDGE, LTD. TO A.W. DILLING (DEF. EX. A-11)

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLEAGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,
Respondents.

BRIEF OF PETITIONER IN REPLY TO BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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CHAMPLIN-SHEALY COMPANY, CHICAGO 988

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Foreword.

Aside from its unseemly invective, respondents' brief is based on the argument that certiorari should not be granted for the reason that the case is old, the record is long, and only factual issues are raised.

Before the final decree in any patent case is entered and affirmed by the Court of Appeals, many years must perforce elapse. All patent cases involve two separate trials and usually two separate appeals. With their judgment against a solvent municipal corporation earning 5 per cent interest, respondents are not concerned with the delay which will result should this Court grant certiorari; they are concerned only with the value of their judgment once this Court directs its critical eye towards the proceedings below. Desirable as it is to bring litigation to an end, we have always believed that the primary objective of the courts is to do justice.

If it were not the practice of this Court to take jurisdiction of cases with long records, some of its most famous decisions would not have been rendered. However, the points raised in our petition require reference only to a small portion of the record.

Despite respondents' unsupported charges to the contrary, the points we urge are legal and will not require the Court to resolve factual issues. Respondents seek refuge in the long record by making vague reference to its thousands of pages but not to any specific pages, in an effort to make it appear that there are numerous issues of fact raised in our petition. Our petition makes it clear that we have avoided controversial issues of fact.

Another point made by respondents is that the patents in suit have expired. That argument did not prevent this Court from reviewing many cases such as *Marconi Wireless Tel. Co.* v. *U. S.*, 320 U. S. 1, 4, *Toledo Scale Co.* v. *Computing Scale Co.*, 261 U. S. 399, 401, and *Electric Cable Joint Co.* v. *Brooklyn Edison Co.*, 292 U. S. 69, in which the patents involved had likewise expired.

Despite their repeated references to petitions for writs of certiorari previously filed in this case and in the *Milwaukee* case, respondents do not deny that this Court rarely grants certiorari from interlocutory orders. The fact that petitioner attempted to bring this case to an earlier conclusion by seeking premature review by this Court of the proceedings below should not prejudice the present petition (*Toledo Scale Co.* v. *Computing Scale Co.*, 261 U. S. 399, 418).

Throughout their brief respondents quote the opinions below to support their contentions, apparently overlooking the fact that the legal errors underlying those opinions form the basis of our petition for writ of certiorari. Respondents ignore the important conflicts between the opinions below and those of this Court and of other circuits.

If, after reading the answer made by respondents to each point in our brief, reference is made to the same point as argued in our brief, it becomes apparent that respondents have not come to grips with us but have gone off to more secure and distant fields of encounter. The extent to which our points remain unanswered will be manifest from the analysis which follows:

Point I.

Respondents make no attempt to justify one of the objects of their unconscionable conduct in the formation and execution of a conspiracy to suppress Dilling's relation to this case, namely, their intended use of him as an expert witness in this case.

Respondents would create the impression that the factual issues raised in our petitions concerning Dilling's relation to this case have been the subject of a trial in the District Court. Although the courts below deemed it proper to read the petitions setting forth the unconscionable and inequitable conduct of respondents regarding Dilling in conjunction with the record in this case leading to the entry of the interlocutory decree, it is absurd for respondents to claim (p. 13) that "the parties had been heard upon the merits of the matters which constituted the subject matter of the petition to vacate and reopen". The District Court denied leave to file our original petition and struck paragraph 4 of the subsequent petition. Petitioner had no opportunity to introduce any evidence in support of its petitions. For the purpose of testing their sufficiency, the allegations in the petitions must be accepted as true.

The legal error of the courts below arises out of their making the findings referred to by respondents (pp. 14-23) in conflict with the allegations in the petitions sought to be filed and without granting petitioner any opportunity to take testimony and offer evidence in support thereof.

The right to introduce testimony to fully establish the fraud on the court has long been determined by this Court as a principle of equity and also by the Rules of

Civil Procedure (Rule 25). This Court in *Hazel-Atlas Glass Co.* v. *Hartford,* 322 U. S. 238, said in a footnote (p. 250):

> "We do not hold, and would not hold, that the material questions of fact raised by the charges of fraud against Hartford could, if in dispute, be finally determined on ex parte affidavits without examination and cross-examination of witnesses."

For instance, respondents' frequent reference to the earlier findings of the trial court in denying our petitions, including the finding that Dilling in effect had no connection with the adoption of the activated sludge process, is flatly contradicted by the allegations which should have been accepted as true, and by the subsequently discovered Defendants' Exhibit A-12, wherein Dilling expressly stated (R. I, 709):

> "I am the one who recommended its use in the North Side Sewage Treatment Works now being constructed here in Chicago."

In the *Hazel-Atlas* case this Court disposed of the defense of laches, now raised by respondents, as follows (p. 246):

> "Surely it cannot be that preservation of the integrity of the judicial process must always wait upon the diligence of litigants. The public welfare demands that the agencies of public justice be not so impotent that they must always be mute and helpless victims of deception and fraud."

Respondents do not deny that the courts below refused to follow the recent Supreme Court cases cited in our brief and that they interpreted them as applying only to fraud perpetrated upon the Patent Office rather than upon the courts.

In the recent case of

Marr v. *A. B. Dick Co.*, 91 L. ed. 73 (decided November 12, 1946),

when the charge of fraud in the suppression of evidence by the patentee almost 20 years earlier was made, not by the defendant but by the Solicitor General as *amicus curiae,* this Court did not wave the charge aside even though the basis of the charge was no more than an unproved indictment. This Court did what it should do here—it granted the petition for writ of certiorari, vacated the judgment of the Circuit Court of Appeals and required consideration of the question raised by the Solicitor General as to "whether respondent's prosecution of the instant case may not constitute a fraud upon the courts". The ground for the Solicitor General's urging this Court to grant certiorari is succinctly stated in his *amicus curiae* memorandum as follows:

> "This Court may wish to have an inquiry made to determine the truth of the facts alleged in the Government's anti-trust proceedings before final disposition of this case, in view of the public interest in safeguarding the integrity of the judicial process and in not permitting misuse of the public grant which a patent represents."

In the *Marr* case the Solicitor General's memorandum is based upon the same proposition as Point I of our petition for certiorari, namely, that the respondents suppressed and withheld facts which, had they been available, might have defeated this suit.

Point II-A.

Respondents do not deny that the concept of "extra damages" conjured by the courts below is without precedent, is unsound in theory and will cause untold confusion in the law of damages in patent cases.

The cases cited by respondents (p. 25) are those in which exemplary or punitive damages were allowed—which, it is conceded, cannot be done against a municipal corporation such as petitioner.

Respondents confuse the elusive elements considered by the court in determining the reasonable royalty—which are specified in some detail by the court but without placing any dollar value on them—with the "extra damages" described by the court as "elusive"—which remain undefined.

Point II-B.

As to the adequacy of the findings of fact, we defy anyone to determine from them the basis for the judgment of $950,000. There are no findings "of subsidiary facts on which the ultimate conclusion of fairness can rationally be predicated" (*Kelley* v. *Everglades Drainage District,* 319 U. S. 415, 420).

Point II-C.

Respondents do not and cannot point to any specific, competent evidence to support the judgment. The uncontroverted, tangible evidence introduced by petitioner is ignored—as it was by the courts below.

Point III.

That it has taken so long for a case involving the patents in suit to reach a final decree may reflect upon respondents' dilatory tactics and the judicial process but does not demonstrate, as respondents argue, that the patents are valid.

Respondents charge that we knowingly mislead the Court when we state that the patents in suit have not been considered anywhere but in the Seventh Circuit, but they do not cite a single case elsewhere which decided the validity of the patents on their merits. The case against Waco, Texas, was settled by a consent decree. The only cases in the Seventh Circuit were against Milwaukee (the *Fehr* case was against the contractors who built the Milwaukee plant, also in the Eastern District of Wisconsin) and petitioner. Who has been guilty of "false statement"?

Point III-A.

Respondents intimate that the courts below considered *Corona* v. *Dovan,* 276 U. S. 358, but the lengthy opinions below fail to mention it, and if the courts below had not ignored its principles they would have held that Jones was not the inventor of the activated sludge process.

Respondents make no comments about the repeated admissions by Jones that he was not the inventor of the bio-chemical process described in the process patents. They likewise are unable to explain away the statements in the opinions below that the bio-chemical process was discovered by Fowler, Ardern and Lockett.

The only point emphasized by respondents is that Jones later employed the scientists to perfect apparatus to practice the bio-chemical process but that point becomes important only if reduction to commercial success is necessary for invention—as the courts below erroneously held.

Point III-B.

In regard to the collective consideration of the patents by the courts below in order to sustain their validity, we are not obliged to guess the thought processes of the courts below—as charged by respondents—but need look only to their written opinions.

No matter how respondents may endeavor to give them some other interpretation, the opinions below clearly state that the patents were considered collectively.

Point III-C.

The last point, concerning the sufficiency of the claims in the apparatus patent to describe the invention, if any, although appearing last in the sequence of our argument, is of great importance and general interest and, judging from respondents' answer, strikes a lethal blow at their right to recover.

Respondents apparently deny that the "means" referred to in the apparatus claims constitute invention but fail to state wherein the invention lies. If invention cannot be found in the means, there is nothing else in the claims smacking of invention. The ridicule and diatribe directed at our argument by respondents cannot substitute for a description of the invention in the claims.

Respondents erroneously assert that our argument is based on a controverted factual issue relating to whether or not the patents in suit are predicated on certain British patents. We referred to the first British patent only to point out that Jones described and claimed specific apparatus in his British application but that in his United States application he deliberately chose to describe, and obtained a patent on, broad claims which, we submit, are invalid on their face. Of course, in order to comprehend this proposition, the Court need only read the first British patent and it would be obviously pointless to go into the "factual controversies" alluded to by respondents (pp. 50-52).

Nowhere do respondents show where any invention is described in the claims.

Respondents do not deny that serious confusion exists in patent law in regard to the relationship between the claims and the other parts of a patent and that such confusion should be settled by this Court.

Conclusion.

This is really three cases in one: the validity of the patents, the assessment of damages and the conduct involving the suppression of evidence concerning Dilling's relationship to this case. Yet the issues involved are relatively simple and any one of them should be sufficient to warrant this Court in issuing its writ of certiorari.

Respectfully submitted,

Ernst Buehler,
Edmund D. Adcock,
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Eli E. Fink.

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CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946.

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., et al,
Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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IN THE

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Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Foreword.

This is respondent's brief in opposition to a petition for a writ of certiorari.

The Jones patents involved have been held valid and infringed by different trial courts in the Seventh Circuit and twice have been held valid and infringed by the Circuit Court of Appeals of the Seventh Circuit (*City of Milwaukee* v. *Activated Sludge*, 69 F. 2d 577; *Sanitary District of Chicago* v. *Activated Sludge, Inc., et al.*, 90 F. 2d 727). In the recent accounting proceedings, the trial court has given a judgment awarding respondents the sum of $950,000 (R. I, pp. 52-73*). The judgment for such amount

*For the purpose of uniformity, respondent follows the petitioner in indicating the Volume of the Printed Record by Roman numerals and in indicating the page of the Volume by arabic numerals.

has been affirmed by the Circuit Court of Appeals of the Seventh Circuit (R. I, p. 903).

The Jones patents in suit have long since expired and there is no conflict of opinion between Circuit Courts of Appeal.

This case has now been pending in the courts for more than twenty-two years. Litigation should terminate sometime, yet this litigation is hoary with age and is of ancient lineage. Counsel for petitioner have with unremitting persistence and unique thoroughness attacked the validity of the Jones patents and denied infringement thereof. Petitioner's answer asserted some 1671 separate defenses to the bill of complaint. These defenses were made the subject of 704 printed pages of argument by petitioner's counsel in the District Court in the instant case on the question of validity and infringement, and 1484 printed pages of argument (in the Milwaukee case and in this Chicago case) in the Court of Appeals. Petitioner's petition to vacate the decree of February 8, 1935 (R. XI, p. 5076) and to reopen the case was the subject of hundreds of additional printed pages of argument before the District Court and the Court of Appeals.

This petitioner for the third time attempts to interest your Honors in an adverse decision in an ordinary patent case in which there have been concurrent findings of fact by the lower courts. The case is well within the rule that such concurrent findings will not be disturbed when there is evidence to support them. *Thompson* v. *Ford Motor Co.*, 265 U.S. 445; *Goodyear* v. *Ray-O-Vac*, 321 U.S. 275; *The Williams Mfg. Co.* v. *United Shoe Machinery Co.*, 316 U.S. 364.

The petitioner, in effect, asks your Honors to ignore the salutary rule which was laid down at an early date in the interest of general public policy and to give to this litiga-

tion further attributes of immortality. As stated by Mr. Justice Story in *Ocean Insurance Co.* v. *Fields*, 2 Story 59; 18 Fed. Cas. 532:

> "It is for the public interest and policy to make an end to litigation or, as was pointedly said by a great jurist, that suits may not be immortal, while men are mortal."

This is the Fourth Attempt to Obtain Certiorari in Litigation Involving the Jones Patents, Certiorari Having Already Been Refused on Three Other Occasions.

The original bill of complaint was filed on September 19, 1924 by Edgar C. Guthard and Activated Sludge, Ltd., a British corporation, as plaintiffs. At the time the original complaint was filed, Activated Sludge, Ltd., was the owner of the legal title to the patents in suit, all of which related to processes and apparatus for the treatment of sewage. Edgar C. Guthard was the holder of a somewhat limited exclusive license thereunder. On February 24, 1927, Activated Sludge, Ltd., the British corporation assigned all of the right, title and interest in and to the patents in suit, to the sole plaintiff, Activated Sludge, Inc., a corporation of Delaware, which was dissolved on November 24, 1941 and the assets of the corporation in the form of choses in action assigned to the stockholders pro-rata according to the number of shares held by them.

On January 25, 1928, Activated Sludge, Inc., filed in this cause, an original bill in the nature of a supplemental bill of complaint. It set forth the facts with respect to the transfer of title of the patents pending the suit. The District Court dismissed the original bill in the nature of a supplemental bill of complaint, one reason given being that there was pending against the original plaintiffs a counterclaim charging acts of harrassment by reason of infring-

ing notices and the like, which said original plaintiffs were alleged to have caused to be sent out. On appeal, the Seventh Circuit Court of Appeals reversed the order of the District Court of May 16, 1929, and held that the pleading filed by Activated Sludge, Inc., was a good pleading, and that the original plaintiffs, Edgar C. Guthard and Activated Sludge, Ltd., could be retained in the case as cross-defendants to the defendant's counterclaim, even though the new plaintiff, Activated Sludge, Inc., would be the only plaintiff upon the patent infringment claim.. These are some of the dilatory tactics pursued by petitioner which prevented "respondents" from completing their pleadings, as pointed out by petitioner (p. 10). The opinion of the Seventh Circuit Court of Appeals upon that appeal is reported in 33 F. 2d 452.

The First Petition for a Writ of Certiorari.

In the meantime, Activated Sludge, Inc., had filed a complaint against the City of Milwaukee, charging infringment of the patents which are here in suit. The defendant in that case was represented by the same counsel who then represented the present defendant, one of whom still represents the present defendant. The record is replete with evidence that the defendants in the two cases acted in full concert and with full knowledge of the proceedings and proofs in both cases.

The suit against the City of Milwaukee was first reached for trial. After a long trial and voluminous briefs, the District Judge on February 7, 1933, filed a 68 page printed opinion, which is not reported, finding the patents in suit to be valid and infringed, and holding that they were owned by the sole plaintiff, Activated Sludge, Inc., and granting the relief prayed. On appeal, the decree of the District Court with respect to the validity and infringement of the

patents in suit was affirmed by the Seventh Circuit Court of Appeals on March 2, 1934. The opinion of the Seventh Circuit Court of Appeals is reported in 69 F. 2d 577.

On July 9, 1934, the City of Milwaukee filed a petition for certiorari in this court, together with a supporting brief and the eight-volume record comprising 6,287 pages. That was No. 165 of the October term, A.D., 1933. Certiorari was denied on October 8, 1934, 293 U.S. 576.

The Second Petition for Writ of Certiorari.

The present case against the Sanitary District of Chicago was reached for trial on May 17, 1932, and was subsequently tried upon the original bill in the nature of a supplemental bill of complaint filed by Activated Sludge, Inc., and upon the counterclaim of defendant against Edgar C. Guthard and Activated Sludge, Ltd. On October 18, 1934, the District Court filed an opinion reported in 8 Fed. Supp. 329, and on February 8, 1935, entered a decree finding valid and infringed, the patents in suit, Nos. 1,247,540, 1,247,542, 1,282,587, 1,286,017, and Re. 15,140.

The decree also held that Activated Sludge, Inc., was the owner of the patents and of all rights thereunder. The decree also dismissed *finally** the counterclaim against Edgar C. Guthard and Activated Sludge, Ltd. No appeal was taken from this latter portion of the decree, and Edgar C. Guthard and Activated Sludge, Ltd., were finally dismissed from this suit, and have not been parties in any respect since February 8, 1935, even though petitioner insists upon including them in the title of this cause.

Upon an appeal to the Seventh Circuit Court of Appeals from so much of the decree as related to patent infringement, the decree of February 8, 1935 was affirmed in all re-

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* Emphasis ours throughout this brief except as noted.

spects, the court's opinion of June 16, 1937, being reported in 90 F. 2d 727.

On September 13, 1937, the defendant herein filed a petition for certiorari and supporting brief in this Court, No. 407 of the October term, 1937. At the same time, there was also filed a nine-volume record comprising 5,817 pages. Certiorari was refused on October 25, 1937, 302 U.S. 736.

The Third Petition for Writ of Certiorari.

As a basis for petitioner's second effort (third effort in the litigation involving the Jones patents) to get this patent infringement suit before the Supreme Court, counsel for the Sanitary District of Chicago concocted a motion for leave to file a petition to vacate the decree entered on February 8, 1935 and affirmed by the Seventh Circuit Court of Appeals on June 16, 1937, and to reopen the case for a further trial upon allegedly newly discovered evidence.

This motion was denied by the District Court. It was then made the subject matter of an appeal to the Seventh Circuit Court of Appeals. On March 27, 1941 the Seventh Circuit Court of Appeals affirmed the decision of the District Court in a short opinion adopting and approving the reasons given by his Honor, Judge Lindley, for denying the defendant's motion. Petitioner then filed a petition for certiorari in this Court which was denied on May 26, 1941, 313 U.S. 583.

This Fourth Petition for a Writ of Certiorari.

Defendant's present petition for certiorari is, therefore, the fourth attempt to have the subject matter of this case reviewed by the Supreme Court of the United States.

The present petition is based on:

(1) Alleged suppression and concealment of evidence

concerning Dilling's relation to this suit, the exact and identical premise on which the third petition for writ of certiorari was denied;

(2) That the final judgment on the accounting should be reversed because predicated on legal principles in conflict with the decisions of the Supreme Court and other circuits, and;

(3) Invalidity of the patents on which the final judgment is based, the identical subject matter of the first and second petitions for writ of certiorari denied by this Court.

In the present petition for certiorari, as well as in the earlier petitions, the contention has been made that it was a matter of great public importance and that in each case the Seventh Circuit Court of Appeals has ignored earlier opinions of this Court and decided questions of law differently than had other courts. In the briefs in opposition to said earlier petitions, it was shown that these contentions were quite contrary to the facts and were without support.

The fact is, that this case is of no importance to anyone but the parties hereto. All of the patents herein have long since expired, and there is no suit pending, or possible, against any other party alleging infringement of those patents.

The fact is, that the decisions in this case by the District Court, and the affirming decisions by the Seventh Circuit Court of Appeals, which are sought to be reviewed, do not involve any conflict or dispute whatsoever with any decisions or rules of law laid down by this Court or any Circuit Court of Appeals.

The fact is that defendant's contentions, now presented in its petition, were all decided against defendant, both in the District Court and by the Circuit Court of Appeals solely upon factual questions and not at all upon any controverted legal principles.

The entire dispute which defendant seeks to present to this Court is a factual dispute. It does not involve a single disputed question of law. Like the three earlier attempts for certiorari, this present attempt to prolong this twenty-two year old litigation should likewise be denied.

This is nothing more than an ordinary patent case in which a defeated litigant is asking your Honors to give it another hearing, to determine, with respect to each of several patents, the usual factual issues of invention, originality, breadth of claims and infringement, all of which factual issues have been found in favor of respondent by the District Court and by the Circuit Court of Appeals.

As the Supreme Court has said:

> " . . . it is very important that we be consistent in not granting the writ of certiorari except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties, and in cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeal. The present case certainly comes under neither head." *Layne & Bowler Corporation* v. *Western Well Works,* 261 U. S. 387.

The first sentence in that opinion is "This is an ordinary patent case."

In *Magnum Import Co.* v. *Coty,* 262 U.S. 159, 163, this Court again reiterated the above stated limitations upon the issue of writs of certiorari as follows:

> "The question how the court should exercise this power next arises. The jurisdiction to bring up cases by certiorari from the Circuit Courts of Appeals was given for two purposes, first to secure uniformity of decision between those courts in the nine circuits, and second, to bring up cases involving questions of importance which it is in the public interest to have decided by this court of last resort. The jurisdiction was not conferred upon this court merely to give the defeated

party in the Circuit Court of Appeals another hearing. Our experience shows that eighty per cent. of those who petition for certiorari do not appreciate these necessary limitations upon our issue of the writ."

In Answer to Petitioner's Argument — Point I.

As it did in its second attempt to obtain certiorari, petitioner again urges that the District Court and the Circuit Court of Appeals flagrantly disregarded various well established principles of law in denying its motion for leave to file the petition to vacate the decree and reopen the case and that the said denial was without hearing any evidence.

The fact is that the records of the trials of the Milwaukee litigation and the Chicago litigation, in which the defendants were represented by the same counselors, occupied more than eighteen thousand pages of printed matter. The plaintiff's main reliance in opposition to defendant's motion for leave to file its petition to vacate and reopen was the trial records comprising these eighteen thousand pages. As shown at page 105 of the Record, Volume II, the respondent long in advance of the hearing upon the defendant's motion for leave to file its petition to vacate and reopen, gave notice that it would rely upon and refer to these eighteen thousand pages of trial record and the briefs in the Milwaukee and Chicago litigations. These trial records and briefs were available to the District Court and were available to the Court of Appeals.

As a matter fact, the plaintiff's main reliance in opposition to the defendant's motion for leave to file its petition to reopen, was the trial records and the briefs in the Milwaukee and Chicago litigations. The reason for this was that the trial records and briefs in these cases so completely answered the allegations upon which the defendant based its motion for leave to file its petition to reopen. It was

these trial records and the briefs in these cases upon which plaintiff has heretofore relied in opposition to, and upon which the District Court and the Court of Appeals have relied in denying the defendant's motion for leave to file its petition to vacate and reopen.

That the contentions and assertions made in petitioner's petition to vacate and reopen, as well as in petitioner's present petition, are completely disproved by the contents of the record in this cause and in the earlier litigations, without the introduction of any new evidence or testimony, is thoroughly well known to this petitioner. The fact that these assertions were completely disproved in the records in the prior litigations is well known to the Circuit Court of Appeals for the Seventh Circuit. There was never any additional testimony taken in the District Court to disprove the assertions and contentions made in the petitioner's petition. The fact is that the District Court did hear voluminous evidence in opposition to petitioner's petition, but that the voluminous evidence had been heard and received many years earlier. Petitioner has not been deprived of its day in court with respect to any of the issues raised in its former petition to vacate and reopen the decree of February 8, 1935. Petitioner again presents the same issues to this Court, asking in effect for a rehearing of the petition for writ of certiorari directed to the same alleged errors which have already, on a previous occasion, been denied by this Court.

As appears at page 5 of the petition, and elsewhere throughout the petition and brief, petitioner, in an attempt at legalistic shadow-boxing alleges further grievance because of the order entered herein (R. I, p. 35), striking paragraph 4 of defendant's petition, filed June 18, 1945. The subject matter of paragraph 4 conforms identically in substance to the petition previously filed by petitioner to va-

cate the decree of February 8, 1935 (R. XI, p. 5076) and reopen the case for further proceedings.

In the unreported opinion of the District Court, it was stated:

> "Now, again, we have a petition which seeks to introduce evidence of the same transactions that were sought to be reviewed in the petition of 1940. Gentlemen, *I can see nothing in this except an ingenious attempt to relitigate the very questions which were presented in that petition.*"

In that same opinion, Judge Lindley further characterized petitioner's tactics as follows:

> "I have read the briefs of the parties and have listened to arguments of counsel. I say, frankly, if it were not for the high character of counsel for defendant, I would be inclined to think they were playing with the court. * * * *This all strikes me very much as a lot to do about nothing.*"

This language was used by the same trial judge who in 1940 again reviewed the evidence in this case, heard lengthy oral arguments by counsel, and read hundreds of pages of briefs, all pertaining to petitioner's right to file its petition to vacate and reopen. Petitioner's stratagem in its petition on the accounting is too obviously "much to do about nothing." In the interest of being done with this litigation, Judge Lindley denied petitioner the right to take evidence upon issues (the subject matter of paragraph 4) that had already been disposed of in this case on the first petition.

The record clearly shows that the subject matter of paragraph 4 is merely repetitious of that material contained in the first petition. As stated by the trial court (R. III, p. 888):

> "The fact as to his (Dilling's) interest has, it is alleged, only recently come to defendant's attention, for

> the reason that at no time was it disclosed but was rather in fact suppressed by plaintiff."

The trial court in its opinion continued as follows (R. III, p. 897):

> "I cannot attribute fraud to plaintiff in concealing the alleged interest of Dilling for apparently plaintiff and Dilling's former associates have at all times earnestly insisted that he had no interest, and apparently considered his interest wiped out. With the title to the patents reassigned, I cannot attribute fraud to plaintiff in failing to volunteer to the court that Dilling had at one time claimed to have an interest or in failing to say that they anticipated that he might thereafter claim an interest."

We content ourselves, therefore, with the legal aspects of the first petition in connection with which the District Judge reviewed and considered voluminous evidence before denying petitioner the right to file the same.

Petitioner would like to impress upon your Honors that the allegations set forth in the said petition must be taken as true for the purpose of reviewing the decision of the court below. There are many reasons for maintaining, as we do, that Judge Lindley neither treated the facts alleged in the defendant's petition as true nor was warranted in accepting the factual allegations of the defendant's petition as true.

One of the reasons for our view is that the law would not have permitted Judge Lindley to accept the facts in the petition as true, despite convincing evidence to the contrary.

The second reason is that the order with which Judge Lindley concluded his first opinion in 1940 (R. III, p. 899), was a denial of the defendant's motion for leave to file its petition. It was not the grant or denial of any motion by

plaintiff to dismiss or to strike the petition as would have been the case if the matter had been treated in the manner claimed by the petitioner.

The third reason which contradicts the petitioner's intimations in this regard is the memorandum opinion of Judge Lindley (R. III, pp. 885, 899) from which it is clear that Judge Lindley gathered and garnered, not from the defendant's petition, but from the records of the prior litigations, innumerable facts and circumstances with which he contradicted or explained away the factual allegations of defendant's petition to vacate and reopen.

In his first opinion in 1940 (R. III, p. 885), Judge Lindley said:

> "The court has had complete access and recourse to the documentary and parol testimony contained in the voluminous record of the cause."

When, therefore, Judge Lindley said in said first opinion (R. III, p. 885) that:

> "The issue presented is the same as if the petition had been filed and its sufficiency were attacked by motion to strike or dismiss"

he meant, and he could have meant only, that the parties had been heard upon the merits of the matters which constituted the subject matter of the petition to vacate and reopen, and that any issues raised by the petition could be decided by recourse to the voluminous record of the cause.

The reason for referring to this matter at the outset of this brief is to say to this Court, as was said to the Court of Appeals, that it is not bound, as neither the Court of Appeals nor the District Court were bound, to confine itself to the allegations of the defendant's petition. No court, upon such a petition to vacate or reopen, as is now sought to be submitted to this Court, is bound to accept its factual allegations for the purpose simply of testing the sufficiency of those allegations, as upon a demurrer or a motion to dismiss a bill of complaint.

The Purely Factual Character of Every Question and Contention — Point I.

The controversy which defendant is attempting to present to this Court under Point I of the petition and argument is a factual dispute which the District Court and the Circuit Court of Appeals in concurrent findings has resolved in favor of the plaintiff and against defendant. The record proves conclusively that the petitioner's contentions are without foundation in fact as is evident from the following consideration of the main charges made by the petitioner.

(1) The essential grievance bearing the caption for petitioner's Argument, Point I is that:

> "Respondents should be barred from monetary recovery in this case on account of their sullied conduct in suppressing and concealing from petitioner and the courts the evidence concerning Dilling's relation to this suit, and it makes no difference how such evidence, had it been known to and introduced by petitioner during the trial, might have affected the result."

The conclusive answer to the primary argument made in petitioner's brief is that the District Court and the Circuit Court of Appeals for the Seventh Circuit have found from the records that the respondents have not been guilty of "sullied conduct" and that evidence has not been suppressed or concealed by the respondents, or from petitioner or the courts.

In presenting its argument with respect to the Keystone Driller (290 U.S. 240), Hazel-Atlas (322 U. S. 238), and Precision Instrument (324 U. S. 806) cases, the petitioner assumes that the respondents have been guilty of suppressing and concealing evidence. However, the District Court and the Court of Appeals have both found the facts to be contrary thereto. If the courts have

been right in their determination of the facts then the principle of those cases cannot be applicable to this case, in which there has been no suppression or concealment of evidence, as concurrently found by the courts.

(2) The petitioner alleges (p. 5) that:

> "These facts reveal that this suit was instigated by Albert W. Dilling, who was Chief Engineer of petitioner from December 16, 1920 to July 21, 1922,"

and that (p. 6):

> "While employed by petitioner, Dilling corresponded with the English owners of the patents in suit and for the first time became aware of the vulnerability of petitioner to litigation involving said patents in suit (R. II, 266, 270-3) and thereafter initiated the course of reprehensible conduct briefly described in this petition and more fully set forth in the brief attached hereto."

The conclusive answer to that contention of petitioner is that the District Court and the Court of Appeals for the Seventh Circuit have both found from the records available to them that this suit was not instigated and prosecuted by Albert W. Dilling. While the petition does not directly assert, petitioner's argument (p. 37) is predicated upon the assumption that petitioner's plans to build extensive sewage treatment works became known in some confidential manner to Mr. Dilling while he was in its employ and that what he did after the termination of his employment with petitioner, constitutes a breach of his fiduciary relationship with petitioner. The record shows (R. V, pp. 1076-1081) and the District Court and the Court of Appeals both found therefrom (R. III, pp. 895, 896, 920) that those general plans had been adopted and had been given wide publicity and were made available to the public many years earlier, and that Dilling took nothing belong-

ing to his former employer except knowledge of the infringement, which was in no wise confidential.

In presenting its argument with respect to the cases of *Trice* v. *Comstock,* 121 Fed. 620 and *Meinhard* v. *Salmon,* 249 N.Y. 458, petitioner assumes (contrary to the concurrent findings of the lower courts) the disclosure of confidential information made to Dilling during his employment and a breach of his fiduciary relationship to petitioner on termination thereof. If the courts were right in their concurrent findings of fact then these cases have no applicability in this case in which there has been no breach of fiduciary relationship as alleged.

In accordance with counsels' usual dexterity in the use of innuendoes to serve their own purpose, the inference most assuredly would be gleaned from petitioner's reference to correspondence between Dilling and the once English owners of the patents in suit while employed by petitioner (which might be assumed to be of extended and voluminous character from all that which is set forth in the petition and argument) that Dilling is chargeable with a breach of fiduciary relationship to petitioner at that time.

The fact is, that on September 26, 1918 (R. II, p. 266), the Sanitary District published a report on industrial wastes from the Stockyards and Packingtown District of Chicago, based on certain tests which were made at the activated sludge testing plant located at that place. The record (R. III, p. 462) shows that on September 26, 1918, the supply of the same report on stockyard trade wastes previously published, had been exhausted and the Board ordered 2,000 additional copies to be printed. This is the important report which defendant's counsel have heretofore urged, and again assert, formed the basis of Dilling's correspondence with Activated Sludge, Ltd. while employed by petitioner, but which the record (R. II, p. 266) actually shows was written by a person having the initials L.P., who

is no other than defendant's present and then Sanitary Engineer, Mr. Langdon Pearse. This document was so secret and confidential that the District printed and distributed two editions of thousands of copies of it!

(3) The petition alleges (pp. 7, 8) and the argument is premised on the erroneous assumption that petitioner's witnesses Guthard and Mayo testified falsely at the trial. The record shows (R. II, pp. 347-350) and the District Court and the Circuit Court of Appeals have both found therefrom (R. III, pp. 899, 920) that these witnesses did not give false testimony. The District Court said (R. III, p. 899):

> "I do not find that the witnesses Mayo and Guthard gave false testimony. Their testimony related to events occurring a number of years before the time when they testified. They were somewhat uncertain but I find nothing intentionally false. Clearly, they testified to nothing that would justify a rehearing."

The testimony referred to was given in 1932 concerning agreements entered into in the years 1923 and 1924.

(4) The petition (p. 6) infers that Dilling, as chief engineer of petitioner, was somehow responsible for the two relatively small plants (Des Plaines and Calumet) found to infringe the patents in suit.

The petitioner states (p. 34) that:

> " * * * an employee cannot after his employment ceases, as Dilling did here, take advantage of the information acquired by him during his employment to prevent his former employer from accomplishing certain of the purposes of their relationship."

The record shows (R. III, pp. 437-439 and exhibits cited) and the District Court and the Court of Appeals both found therefrom (R. III, pp. 892, 893, 920) that the said infringing plants were designed and/or under construction prior to Dilling's connection with the petitioner.

(5) The petitioner asserts (p. 6) that upon Dilling's recommendation the Activated Sludge process was adopted for petitioner's infringing North Side plant. The record shows (R. VI, pp. 1583-1584) and the District Court and the Court of Appeals both found therefrom (R. III, pp. 893, 920) that the North Side plant was designed and recommended by an independent commission of engineers selected for that purpose, and which did not include Dilling.

With respect to the contentions referred to above in paragraphs 4 and 5, the District Court stated (R. III, pp. 897, 898):

> "When Dilling entered the District's employment the latter had already committed the infringement at Des Plaines and Calumet. Nothing that it or anybody else could do thereafter could alter the fact. After his retirement, the District committed the third act of infringement in the North Side plant, but nothing that anybody might do could change the fact of that infringement, after it had once been committed."

(6) The petition asserts (p. 5) that:

> "Dilling's relationship to and interest in this case have been carefully concealed * * * and was discovered by petitioner only as a result of litigation instituted by Dilling against his co-adventurers. * * *"

In consonance with that part of the record (R. I, pp. 18-20) referred to by petitioner, the contention is to the effect that Dilling's interest did not become known to petitioner in any respect until March, 1939. The petition to vacate the decree of February 8, 1935, however, was not filed until January 27, 1940 (Rec. II, p. 2). The record shows (R. II, pp. 350, 351, 371) and the District Court and the Court of Appeals both found therefrom (R. III, pp. 888, 889, 920), that Dilling's claim to an interest had been a matter of public record for many years prior to the filing of the petition of January 27, 1940, and that defendant had had express

written notice thereof on January 7, 1936, nearly four years before defendant's said petition alleging "newly discovered evidence" was presented, and again on July 7, 1938, a year and a half before defendant's said petition was presented.

(7) While petitioner asserts (p. 34) that the question of title is not urged herein, nevertheless, the corner-stone of the fabricated concoction, better known as the alleged "sullied and corrupt conduct of respondents in conspiring to conceal and suppress Dilling's interest herein" which the defendant is attempting again to serve up to your Honors for a second consideration, revolves around the contention (p. 26) that the:

> "Massachusetts Trust, called Activated Sludge Processes of America, should have filed this suit."

and the alleged fact that (p. 26):

> "• • • all their• right, title and interest, legal and equitable"

in "the so-called license agreement" was assigned to the Massachusetts Trust and that "all knowledge of the Massachusetts Trust and the assignment of the patents to it" were:

> " • • • carefully, conspiratorially and effectually suppressed and concealed from the petitioner and the court substantially throughout this litigation."

The record shows (R. II, pp. 358-369) and the District Court and the Court of Appeals both found therefrom, (R. III, pp. 899, 920) that the argument that plaintiff (Activated Sludge, Inc.) did not have good title to the patents in suit could have been made at the trial and in fact the same counsel made precisely the same argument relative to

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• Dilling, Guthard, Mayo and McCaleb.

title in precisely the same language in a brief filed in the Milwaukee litigation more than two years earlier. The record (R. II, p. 355) further shows, and the District Court and the Court of Appeals found therefrom (R. III, pp. 887, 920), that the argument that the Guthard license was, in fact, an assignment and had never been effectively reassigned, had been raised by the then counsel for defendant in 1929 in the Milwaukee litigation and had made written notations thereof which appear in the record (R. II, p. 355) but had discarded the inquiry at that time as not worth pursuing.

How can it possibly be said that the matters respecting alleged defect in title were concealed from the petitioner and courts when the fact is that they were actually referred to but not followed up for the sole reason that petitioner's counsel was not sufficiently interested to do so.

As Mr. Justice Swayne expressed the rule in *Wood* v. *Carpenter,* 101 U.S. 135:

> "The means of knowledge are the same thing in effect as knowledge itself."

In approving the same rule in *Kinder* v. *Scharff,* 231 U.S. 517, Mr. Justice Holmes said:

> "During the pendency of the original proceeding the trustee suspected the alleged fraud, made some inquiries, but dropped the matter because he thought it was not worth while; that is, that it would not pay to go farther. He 'voluntarily abstained from availing himself of the means put in his hand by the law itself for the ascertainment of a suspected fact.' "

(8) In a further attempt to convince this Court of a dark and sinister plot perpetrated upon the petitioner and the courts, the petitioner makes reference to an alleged mis-quotation in a *brief* filed in the Milwaukee case. Such coloring to the alleged scheme perpetrated by respondents

was considered so trifling and piffling, even though argued at great length, both in brief and on oral argument, that neither the District Court nor the Court of Appeals thought it worthy enough of even a comment in their decisions with respect to defendant's petition to vacate.

(9) The climactic argument of petitioner's brief in its attempt to stigmatize respondent's former attorneys as having been possessed of evil designs in promulgating, maintaining and perpetuating the alleged ill-conceived plot to deprive the wrong-doing and infringing defendant of some legal right and practicing such fraud and suppression upon the lower courts, terminates with the further assertion (p. 33) that said attorneys were guilty of suppressing and concealing from petitioner, evidence in the Dilling case in 1939. The record (R. II, pp. 409-413) is clear that such contention is unfounded. The District Court and the Court of Appeals both found that there was no suppression of evidence in this case. While pages and pages were devoted in the briefs, and lengthy arguments were presented to the lower courts on this assertion, both courts have, like the contention referred to above in paragraph 8, considered the same to be of so trifling and of such an absurd character, that specific comment was deemed unnecessary.

The fact of the matter is that on March 17, 1939 a petition was presented by the defendant herein to Judge Barnes in the Dilling case, in which case the defendant herein was never at any time a party. The fact is that plaintiffs' (herein) only objection at that time was to the defendant's making motions and asking for the entering of orders in a suit to which it was not a party, the objections thereon being sustained by Judge Barnes and Judge Sullivan. The fact that there was never any attempt on the part of counsel for plaintiff to prevent defendant from inspecting or securing copies of the records in the Dilling suit is apparent from the comments made by plaintiffs' counsel during the argu-

ment before Judge Barnes in opposition to the petition filed by the defendant herein. It was therein stated (R. II, p. 411):

> "It is a little difficult to know what they want, but if there are some documents or papers to which they are entitled upon the question of title,—which has been decided all the way up to the denial of the writ of certiorari in the Supreme Court,—why they can go next door into the court where that case is pending and move for that discovery before the judge that knows all about it, and it seems to me something of an imposition to * * * come in here and ask the court to grant this petition, * * * "

The defendant was told to make its motions "in its own suit" (R. II, p. 412) where plaintiffs would have made no objections whatsoever. The order entered in the Dilling case on June 30, 1939 returned the exhibits in the customary way to the respective counsel in that case, but there was never any order that such documents should be destroyed, and they have never been destroyed. The transcript of testimony taken in the Dilling case was never ordered destroyed, and it has never been destroyed. The Master's report existing at that time was not a full or complete final draft report, but was admittedly a preliminary draft, conceded by everyone to be inaccurate and incomplete in many respects.

The foregoing are the principal assertions made by petitioners on which it bases its appeal to this Court to grant writ of certiorari. All of these assertions are shown conclusively by the record to be wholly unfounded. They demonstrate beyond a peradventure of doubt that the questions which petitioner would like this Court to review by certiorari are, in fact, all factual questions which have been uniformly decided contrary to petitioner's assertions.

As said by this Court in the case of *United States* v. *Chemical Foundation, Inc.*, 272 U.S. 1, 14:

"But both courts found that the United States failed to establish any conspiracy, fraud, or deception alleged. Findings of fact, concurred in by two lower courts will not be disturbed unless clearly erroneous. *Washington Sec.* v. *United States*, 234 U.S. 76, 78. Under this rule the findings must be accepted."

In Answer to Petitioner's Argument — Point II-A.

Petitioner, having failed heretofore in interesting this Court in reviewing the identical subject matter of Petitioner's Argument, Point I (Certiorari denied, 313 U.S. 583) and the identical subject matter of Petitioner's Argument, Point III on two other separate occasions (Certiorari denied, 293 U. S. 576; 302 U. S. 736), now attempts to inject life-blood into the present petition for writ of certiorari, by picayunishly criticizing the lower courts' strict adherence to the authorities in sifting and weighing the evidence in arriving at the money judgment below which was specifically referred to as being conservative in view of the fact that the petitioner is a public body and that judgment against it can be satisfied only from the revenues which it collects from its inhabitant tax-payers.

The alleged assignment of error relates to facts concurred in by both the District Court and the Court of Appeals and not to any conflict in decisions or a failure of the lower courts to adhere to and follow the statutes and decisions of this Court with respect to the assessment of damages.

In its opinion (R. I, p. 70) the District Court stated:

"I have thought it proper also to avoid award of exemplary or punitive damages and to confine recovery to actual compensation to the plaintiffs for that of which they have been deprived during the life of the patents and during the periods of infringement,—in other words, actual compensatory damages."

The Statute (35 U.S.C.A., Section 70) under which the case was tried on the accounting, provides that:

> " * * * the court may adjudge and decree the payment by the defendant to the complainant of a *reasonable sum as* profits or *general damages* for the infringement."

The fact is that the District Court entered judgment for a reasonable sum as general damages for defendant's infringement of the Jones patents. While the petitioner would like to impress this Court with the thought that the judgment should be separated and segregated into certain component parts, nevertheless, the statute makes no such requirement and the cases specifically applicable to the point in question clearly point out that the court, in assessing damages, is under no obligation to follow any particular method or use any particular base in arriving at its ultimate award. *United States Frumentum Co.* v. *Lauhoff, et al,* 216 Fed. 610, 617 (cited and approved by this Court 235 U. S. 641, 650; 266 U. S. 342, 352; 289 U. S. 689, 698); *Motor Player Corporation* v. *Piano Motors Corporation,* 19 F. 2d 993, 996.

In arriving at the award in this case, the District Court took into account, the character of the inventions, their utility, their practicability, their popularity, their demand, the extent and value of their use, and the advantages, including savings, which were made by petitioner because of its infringing acts, as well as the fact that petitioner was a persistent and deliberate infringer and that there has been long and expensive litigation. Petitioner urges error because of the failure of the District Court to segregate and separate those elements of damage awarded plaintiffs because of the long and expensive litigation and the persistent and deliberate infringement by petitioner and any interest involved because of the long delay in payment of monies due plaintiffs.

Such factors and elements have long been considered by the lower courts and approved by this Court as appropriate in determining a reasonable sum as general damages. *Overman Cushion Tire Co., Inc.* v. *Goodyear Tire & Rubber Co.*, 66 F. 2d 361 (C.C.A. 2) (Certiorari denied 290 U.S. 681); *John B. Stetson Co.* v. *Stephen L. Stetson*, 58 F. S. 586 (Affirmed 85 F. 2d 586, C.C.A. 2; Certiorari denied 299 U.S. 605); *Swan Carburator Co.* v. *Nash Motors Co.*, 133 F. 2d 562, C.C.A. 4 (Certiorari denied 320 U.S. 762; Rehearing denied 320 U.S. 812).

Nor can error be validly asserted when interest is taken into account where there are exceptional circumstances justifying its inclusion. As stated by this Court in *Duplate Corp.*, v. *Tri-Plex Safety Glass Co.*, 298 U.S. 448, at page 459, after setting forth the general rule with respect to the running of interest where damages are assessed on the basis of a reasonable royalty "There are no exceptional circumstances justifying a departure from what is at least the general rule."

In the case of *John B. Stetson* and *Swan Carburetor Company* cases above cited, as well as in the case of *Mathey* v. *United Shoe Machinery Co.*, 54 F. S. 694, after referring to the authoritative decision in the *Duplate Corp.* case, the courts assessed interest as part of the damages on the basis of deliberate infringement of the patents involved. It is not at all surprising that in the present case, the District Court and the Circuit Court of Appeals were able to find exceptional circumstances which would permit of the inclusion of interest as a factor in determining the reasonable sum entered as general damages in this case.

Petitioner further complains about the judgment entered herein and says that (p. 41):

> "The 'elusive' damages which the court below held that 'plaintiffs ought to recover' for what they 'actually lost' *are not defined by the court below.*"

A complete answer to that is found in the opinion of the District Court wherein it was stated (Rec. I, pp. 63, 64):

> "In view of defendant's public character, its statutory function and the one purpose of its existence, efficient, adequate disposition of sewage with elimination or avoidance of public nuisances, certain gains or advantages arising from adoption and utilization of the activated sludge processes are significant and important in any consideration of factors entering into disposition of the question of compensation to plaintiffs. These advantages include freedom from noxious odors, putrid streams, pestilential flies. As a result, defendant achieved freedom from suits for maintaining nuisances and enjoyed the privilege of maintaining its boasted efficient plant on a comparatively small tract of land, adjacent to rapidly expanding residential districts, free of annoyance to the inhabitants. *These are substantial and, in all fairness, though difficult of exact monetary valuations and elusive in character, in so far as yardsticks of measurement are concerned, must, of necessity, in order to do equity and supply legal compensation, be given consideration as factors essentially involved in such a proceeding as this.*"

Thus the lower courts followed and applied the rule set forth by Judge Denison, and oft approved by this Court, in the case of *United States Frumentum Co.* v. *Lauhoff*, 216 Fed. 610, wherein it was stated (p. 616):

> " • • • Proof of market value is one way to show this actual loss; proof of lost sales is another way. But, if neither of these methods can be followed the law permits other available, pertinent proofs. Those familiar with real estate estimate and testify to the real value or fair value of land which is without market value (*Chicago, etc. Ry* v. *Ohio Co.* (CCA 6) 214 Fed. 751, —CCA—); and these witnesses and the jury may take into account all the special circumstances of the situation as bearing on the ultimate question. The same thing is true as to personal property of such

character that it has no market value. Instances of the application of this rule as to both real and personal property are too familiar for citation. *In the same general class are all personal injury cases. Pain and suffering, the loss of earning power, the loss of support, are all things which have no market value and all present situations where the damages cannot be ascertained or computed according to any arithmetical formula; but the jury is put in possession of all the facts and circumstances, it has the benefit of such testimony from experts as may show the rules and methods in force in the particular field, and it estimates, as best it may, how much money will compensate plaintiff for the wrong done.*"

Again at page 617:

"• • • More or less of these things may appear in a given case, all having a bearing on the real value of that for which plaintiff is to be compensated, and the case presents no greater difficulty in computing and ascertaining damages than is met by a hundred juries every day."

Nor is there any delay chargeable to respondents as alleged by petitioner (p 10). In an attempt to convince the lower court that petitioner was not guilty of delay the following colloquy between counsel clearly shows that petioner admits that respondents are not responsible for any delay. (R. I, p. 484):

"By Mr. Byron: Are you attempting to base an argument of laches on this. I just want to know if that is the purpose?

By Mr. Snyder: We are not charging laches against you, but we are explaining we are not guilty of any delay."

In Answer to Petitioner's Argument — Point II-B.

We invite this Court to review the trial court's opinion and findings of fact (R. I, pp. 36-71) concurred in and

adopted by the Court of Appeals. We submit that it will not find the alleged violation of the Rules of Civil Procedure and the alleged failure to follow the decisions of this Court, as now urged by petitioner. This Court in the case of *Kelley et al.* v. *Everglades Drainage District,* 319 U.S. 415, has recognized the special character of each litigated case, and therein states (p. 419):

> "The nature and degree of exactness of the findings required depends on the circumstances of the particular case."

The District Court conformed to the particular requirements of the present case in its findings of fact and in its opinion and conformed to the Rules of Civil Procedure. The necessity for itemizing the infringer's profits, the profit on plaintiff's lost sales because of the infringement, the reasonable royalty applicable to certain of the infringing installations and plaintiff's loss due to a reduced selling price because of infringment in order to arrive at the total award found in the case *of Power Specialty Co.* v. *Connecticut Light and Power Co. et al,* 80 F. 2d 874 (Petitioner's Brief, p. 44) finds no counterpart in the present case by virtue of the fact that a *reasonable sum* was assessed *as general damages* under the statute herein.

In Answer to Petitioner's Argument — Point II-C.

The gravamen of petitioner's argument in this section of its brief is that there is no tangible evidence on which the concurrent findings of the lower courts are based. But few elements of the law of damages have been reviewed more often by this Court than that pertaining to the weight and sufficiency of evidence required in establishing the amount of damages. In the case of *Eastman Kodak Company of New York* v. *Southern Photo Materials Company,* 273 U.S. 359, Justice Sanford quoted from the opinion of the Court of Appeals as follows (p. 379):

> "' • • • Damages are not rendered uncertain because they cannot be calculated with absolute exactness. It is sufficient if a reasonable basis of computation is afforded, although the result be only approximate.' "

and stated:

> "This, we think, was a correct statement of the applicable rules of law."

This rule of law as to the sufficiency of evidence with respect to damages has been followed consistently by this Court in the case of *Palmer et al, Trustees,* v. *Connecticut Railway & Lighting Co.,* 311 U. S. 544, *Story Parchment Company* v. *Patterson Parchment Paper Company et al,* 282 U. S. 555 and *Bigelow et al* v. *R.K.O. Radio Pictures Inc., et al,* 327 U. S. 251, and others.

Petitioner, in total disregard for the facts, and with an obvious attempt to mislead this Court, complains that the judgment is unsupported by any competent evidence in the record.

The District Court found otherwise, and the Circuit Court of Appeals concurred in the findings of the District Court.

The fact of the matter is that respondents found it unnecessary to offer any opinion testimony for the reason that the extent to which plaintiffs had been damaged could be readily ascertained from documentary evidence emanating from petitioner. The conclusiveness of such evidence is established by the record.

As stated by the District Court (R. I. p. 61):

> "*I conclude from what I have enumerated and other facts and circumstances in this record that there can be no question as to the sufficiency of the evidence to sustain findings of unusual utility, of efficient practicability, of undisputed advantages.* All of such facts

must enter into the determination by this court of what is just compensation for invasion of plaintiff's rights."

And again (R. I., p. 62):

"It is extremely difficult for one to determine definitely what the exact monetary savings to defendant, arising from its adoption and use of infringing apparatus and processes, was, *but one must inevitably find that the monetary savings were tremendous.* The exact amount is unimportant, for savings as such, are not the monetary yardstick of defendant's liability."

The District Court in assessing damages rejected defendant's theory that the unaccepted offers and the testimony of expert witnesses should prevail as a criterion of the extent of damages sustained by plaintiff by defendant's infringing acts. Such evidence was taken into account but was not given decisive weight (R. I, p. 66), the judgment being predicated primarily on the benefits derived by petitioner by practicing the Jones inventions (held by the lower courts to be of pioneer and meritorious character and of revolutionary benefit to mankind) and particularly the value for use of the inventions by the said petitioner. The evaluation of the patents for use was in strict accordance with this Court's authorative decision in the case of *Sinclair Refining Co.* v. *Jenkins Petroleum Process Co.*, 289 U. S. 689, 698, 699.

Mr. Justice Cardozo, in rendering the opinion for this Court, after referring to the leading cases of *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U. S. 641, *Suffolk Co.* v. *Hayden*, 3 Wall. 315, and *U. S. Frumentum Co.* v. *Lauhoff*, 216 Fed. 610, and after pronouncing that the rule of law was applicable in actions in tort, stated (p. 699):

"Value for exchange is not the only value known to the law of damages. There are times when heed must be given to value for use, if reparation is to be adequate."

The conservativeness of the award, based on the evaluation of such benefits to defendant, is evident by the fact that the defendant, in its cost of construction and operation of the infringing plants made savings amounting to $12,900,00 as shown by the evidence, and that the savings in land alone for the North Side Sewage Treatment Works on a conservative basis amounted to $2,445,567 (R. I 440, 441, 524, Plfs. Ex. A-10).

As this Court has many times said, a writ of certiorari will not be granted to review evidence and discuss specific facts (*U. S.* v. *Johnson*, 268 U. S. 220; *General Pictures Co.* v. *Electric Co.*, 304 U. S. 175; *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314). The present petition merely asks this Court for a rehearing on evidentiary facts which were resolved in favor of respondents and against petitioner by the lower courts.

In Answer to Petitioner's Argument—Point III.

In introducing the subject matter of this section of petitioner's brief, counsel for petitioner urge upon this Court (p. 52) that:

> "In addition to the other reasons for the exercise by this Court of its supervisory jurisdiction, it can be readily shown that the patents themselves are invalid. This can be done without reviewing or weighing the evidence but simply by perusing the opinions of the court below."

Equivalent assertions appear elsewhere throughout the petition and brief.

Considering the length of time in which the Jones patents have been involved in litigation and the unusually large record and number of documentary exhibits bearing upon, and devoted to, the usual factual issues of invention, originality, scope of claims, infringement, etc., and the unusually large amount of time which the lower courts of

necessity were required to spend in a review of this accumulated record, the proposal presented to your Honors that invalidity of the patents could be readily determined simply and merely "by perusing the opinions of the court below" is not only novel but absurd.

In short, the petitioner invites this Court to disregard the well-established rules so often expressed by it, to cast aside all of the work that the lower courts have accomplished during the last twenty-two years, and by simply "perusing the opinions of the court below," to grant to petitioner a new hearing before this Court on questions which are purely questions of fact. These questions of fact have been decided against petitioner and the patents have been sustained as valid.

And again, as a general proposition, in its proposal to this Court, petitioner (p. 52) states that:

> "The patents in suit have not been considered anywhere except in the Seventh Circuit. * * * There consequently exist in this case the same grounds for granting certiorari as existed in other cases in which this Court granted certiorari because of the improbability of there ever arising a conflict of decision between the circuits."

The petitioner knowingly attempts to mislead this Court in asserting that the patents in suit have not been considered anywhere except in the Seventh Circuit. The five patents in suit have been involved in five law suits* and

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* Activated Sludge, Inc. et al v. Sanitary District of Chicago.
Activated Sludge, Inc. v. City of Milwaukee.
Activated Sludge, Inc. v. Sewerage Commission of the City of Milwaukee.
Activated Sludge, Inc. v. City of Waco, Texas.
Activated Sludge, Inc. v. G. R. Fehr, et al.

plaintiff's (Activated Sludge, Inc.) contentions were completely sustained by the District Courts in each of those cases. The suit of *Activated Sludge, Inc.*, v. *City of Waco, Texas,* was settled prior to its submission to the Circuit Court of Appeals for the Fifth Circuit. The decisions of the District Courts were sustained by the Court of Appeals** in all of the other suits. All of the eight judges who have passed upon the questions sought to be raised by the petitioner in this section of its brief have concurred in conclusions rejecting the petitioner's contentions *in toto.*

Under the stimulating effect of the false statement with respect to suits involving the five patents in suit herein, petitioner has been led to present a further ingenious argument as a part of its stratagem in attempting to convince your Honors that a petition for writ of certiorari should be granted. Petitioner urges that the grounds for granting certiorari in this case are the same which were found to exist in the three cases mentioned in the footnote at page 52 of petitioner's argument, but we have been unable to find any similarity, nor does there exist a situation which would call for the granting of the writ as in those cases. There is no matter of general public importance because the patents in suit have long since expired (1935, 1937) and the petitioner is the only party against whom a suit is pending. One hundred and twenty-four municipalities (Rec. I, pp. 622-627) recognized the validity of the patents in suit and operated under the patents dur-

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** City of Milwaukee v. Activated Sludge, Inc., 69 Fed. 2d 577.
Sewerage Commission of the City of Milwaukee v. Activated Sludge, Inc., 81 Fed. 2d 22.
G. R. Fehr, et al. v. Activated Sludge, Inc., 84 Fed. 2d 948.
Sanitary District of Chicago v. Activated Sludge, Inc. et al, 90 Fed. 2d 727.

ing their term under licenses granted by plaintiff (Activated Sludge, Inc.).

The cases urged by the petitioner in support of its argument clearly set forth the reasons for the granting of the writs on the basis that the patents dominated a substantial portion of the particular industry involved which was so concentrated in one circuit that litigation under the unexpired patents elsewhere was improbable or unlikely. In the cases cited by the petitioner the term for which the patents were granted had not expired, which circumstance does not exist in this case, but which was of primary importance to those industries concentrated in the one circuit. The situation is not at all parallel and the general public importance or interest which moved the court to grant certiorari in those cases does not exist in the present case. Of course, the present case is of importance to plaintiffs as well as defendant but this is not the kind of public importance which is sufficient to warrant the granting of certiorari.

The remarks of Mr. Chief Justice Hughes at the American Law Institute Meeting, as reported in the June, 1934 issue of the American Bar Association Journal are apropos:

> "For example, we have many applications where the questions raised are those relating to particular contracts or transactions and turn upon the facts of the particular case, and there is no controversy of importance with respect to legal principles. Applications are numerous in which there appears to be no conflict of decisions between the Circuit Court of Appeals, or between Federal and State courts in cases where the latter should be controlling, and no real conflict with the decisions of the Supreme Court, and there is an utter absence of any good reason for asking our review. That review, we must emphasize, is in the interest of the law, not in the interest of particular parties. *It is not the importance of the parties or the*

amount involved that is controlling, but the need of securing harmony of decision and the appropriate settlement of questions of general importance so that the system of federal justice may be appropriately administered."

We respectfully submit that the grant of certiorari based on petitioner's argument in this section of its brief, or any other section, is utterly without precedent and would be fundamentally unsound.

In Answer to Petitioner's Argument — Point III-A.

The gravamen of the petitioner's argument under this section of its brief is that (p. 53):

> "The four process patents in suit were held valid by the Court below on the erroneous principle that reduction to laboratory practice by scientists was not sufficient to show prior use and that translation of the scientific discovery into commercial success constituted invention upon which to base the granting of a patent."

This means briefly that "the scientists (Fowler et al.)" anticipated Walter Jones, the patentee.

This, of course, is purely a question of fact and has been uniformly decided, contrary to petitioner's assertion, by each of the eight judges who have heard and considered the evidence.

What counsel for the petitioner have done in advancing this argument is to turn to the case of *Corona* v. *Dovan*, 276 U.S. 358, in which case this Court granted a petition for writ of certiorari in view of the conflict of decision between the Second and Third Circuit Courts of Appeal. Counsel find that the Weiss patent was held to be invalid by this Court because one Kratz had, in his laboratory, but several years prior to the date of Weiss' invention, used D.P.G. as an accelerator for the vulcanization of rubber. This was the very thing claimed by Weiss to have constituted his in-

vention. Counsel also find that the plaintiff contended in that suit that the work done by Kratz did not amount to a reduction to practice because it was carried out on a small scale in a laboratory.

The record in the instant case shows that some of the bacteriological phenomena which are involved in the practice of the Activated Sludge process, had been made the subject-matter of some laboratory experiments and tests. These tests and experiments had been conducted by "the scientists", Fowler, Mumford, Ardern, and Lockett. In their over-enthusiasm to find a parallel between this case and that of *Corona* v. *Dovan,* counsel try to make of the instant case simply the question whether the work of Fowler, Mumford, Ardern, and Lockett was on a scale sufficiently large to demonstrate commercial practicability;— whether the work of Fowler, Mumford, Ardern and Lockett involved any commercial use or sale;— whether the paper read by Ardern and Lockett before the Institute of Chemical Engineers constituted a sufficient disclosure, etc., etc.

In order to draw the alleged parallel between the instant case and that of *Corona* v. *Dovan,* counsel for the petitioner have found it necessary to eliminate from their presentation and discussion all of the facts which would at the outset put the present case in an entirely different category from that of *Corona* v. *Dovan.*

The fact of the matter is that "the scientists" were employed by Jones to make the biochemical and bacteriological tests and experiments necessary to demonstrate the effectiveness of the methods and processes which he had conceived and recorded and disclosed to them as a preliminary to all of the laboratory work which they subsequently did,— as a preliminary to all of the laboratory work which is now claimed by the petitioner to have constituted in whole or in part the invention of the Activated Sludge process of the patents in suit.

The fact of the matter is that Walter Jones, who was then the sole proprietor of the firm of Jones & Attwood, gathered together a corps of assistants and collaborators for the very purpose of developing and testing the processes and apparatus which he first conceived of and which now constitute the severally patented ingredients of the Activated Sludge system of sewage purification.

A brief in opposition to a petition for a writ of certiorari does not afford the occasion or the opportunity to marshal and present the evidence of the facts of this matter. A major part of the six-thousand page records in this and the Milwaukee litigation is devoted to this very matter.

For the Court to have some source of accurate information relative to the facts herein, without the necessity of a lengthy restatement of them in this brief, we respectfully refer the Court to the actual "Findings of Fact" entered by the District Court herein. The decree based upon those findings was, of course, affirmed. Those findings are included in the printed record at pages 5046 to 5054, inclusive, which appear in Volume XI of the printed record.

We shall content ourselves, rather, with the quotation of a few excerpts from the opinions of the Seventh Circuit Court of Appeals, showing the complete dissimilarity bebetween the questions involved in this case and those involved in the case of *Corona* v. *Dovan.*

In the first opinion in the suit against the City of Milwaukee, the Court of Appeals summarized the defendant's contentions as follows:

> "As against those claims appellant contended on the trial, (1) that the process claims were invalid because earlier invention must be ascribed, not to Jones and his alleged collaborators at Manchester, England, but to Clark at the Lawrence Experiment Station in Massachusetts in 1912 or 1913, and also to Eddy at

> Worcester, Massachusetts in 1903; and if not, then (2) the invention of the process is not attributable to Jones, but to Fowler, Ardern, Lockett and others without participation by Jones; (3) that the claims with respect to apparatus embody only subject matter which is old in the art." (69 Fed. (2d) 577, 583.)

The Court first disposed of the contentions that Jones and his collaborators had been anticipated by Clark or Eddy, saying in this connection:

> "It is not contended here, however, that Clark or Eddy was the discoverer or inventor of what is now known and practiced as the Activated Sludge process, and the evidence before us falls far short of supporting such a contention if made. Clark's slate depositories did not produce the desired results, nor did the growths of algae, for the reasons already stated, and those processes were abandoned by him. The slate process was also tried by appellant without avail, and it likewise abandoned it. The only manner in which Clark can be said to be identified with what may now be called the perfected process, is the fact that Fowler, a resident of England, visited Clark's laboratory in November, 1912, and observed his work and its results, and from that observation acquired what he, Fowler, termed as an 'illuminating idea.'" (69 Fed. (2d) 577, 583.)

Having thus disposed of the Clark defense and the Eddy defense, the Court of Appeals next took up the question whether the inventions of the patents in suit could properly be patented to Walter Jones, or whether they should have been patented in the names of some one or more of his assistants and collaborators.

A large proportion of the six-thousand page record is devoted to the evidence upon this one question of fact, i. e., whether the inventions were the wholly independent work of Jones' assistants or whether Jones, whose plan was fol-

lowed and who employed, directed, and paid these assistants, and who devised and paid for a vast amount of specially constructed experimental apparatus, could rightfully have signed the patent application papers himself. In introducing the discussion of this question, the Court of Appeals described the relationship of the several parties as follows:

> "The principal question for our consideration, therefore, is whether Jones is the rightful patentee or whether those whom Jones claims to have been his collaborators are in fact the rightful inventors independent of anything which Jones may have done. This necessitates a setting forth of the relationship of those men and their activities during the time in which the patented process was being evolved.
>
> "Jones, a member of the firm of Jones and Attwood, had had a long and successful career in the invention, manufacture and distribution of apparatus for sewage purification. He was also the recognized manager, director and financial support of the syndicate which worked out and exploited the Activated Sludge System. Fowler was a professor in the University of Manchester, England, where he had a private laboratory, and from 1899 to 1904, was superintendent and chemist of the Manchester Corporation Sewage Works, and from 1904 to 1916 was consulting chemist for the Rivers Committee of that corporation. In October, 1913, he first met Jones from whom he accepted employment as consulting chemist, although that fact was not known to the city of Manchester or the Rivers Committee of that city for almost a year afterwards. Mumford was Fowler's personal assistant at the University in 1912 and 1914. Ardern, from 1909 to 1916, was assistant to Fowler as chemist for the Rivers Committee of Manchester, and after 1916 he was either chief or consulting chemist for that committee and a full time employee of the city. Lockett was the research chemist for the Manchester Rivers Committee and a full time employee. In 1906 he was made as-

sistant chemist, and from 1909 to 1915 he was the assistant of Fowler and had actual charge of the experiments carried on in collaboration with Ardern at the Davyhulme Works of the city of Manchester. Coombs in the early part of 1913 was employed by a manufacturing concern near Manchester, and while there he became fully acquainted with what was styled by Mumford as the M-7 process, the letter referring to the first letter of his name and the number to his laboratory culture of that particular aerobic bacillus which he was using in his experiments. Coombs was consulted by Fowler for the purpose of having Coombs' employer supply aeration equipment which was paid for by the city of Manchester and put into operation at the Davyhulme Works between September 20 and 26, 1913. On September 22, 1913, Coombs was employed by Jones and Attwood." (69 Fed. (2d) 577, 583.)

At a later point in its opinion, the Court of Appeals restated the question in more explicit terms, saying:

"There is no doubt that all the bio-chemical experiments, analyses, and tests relating to the subject matter of the patents and leading up to their disclosures, were conducted at Davyhulme or at the University of Manchester. Appellee contends, however, and the trial court found, that Fowler, Ardern, Lockett, Mumford and Coombs were collaborators of Jones who in fact was the discoverer and inventor of the method and apparatus. On the other hand, appellant insists that Jones merely pirated the conception from Fowler, Ardern and Lockett, the real inventors, upon information received by him from Fowler and Coombs who came into his employ during the period of experimentation and from the public disclosures of Ardern and Lockett whom he had never met. Hence, appellant says that Jones was not the inventor and did not believe he was the inventor when he filed his applications for the patents, and was therefore not entitled to them." (69 Fed. (2d) 577, 584).

Upon this issue of fact, the District Court reached a decision in favor of the plaintiff (Activated Sludge, Inc.) and against the defendant. Upon this issue of fact, the Seventh Circuit Court of Appeals reached a decision in favor of the plaintiff (Activated Sludge, Inc.) and against the defendant. Upon this issue of fact, all of the courts in all of the five suits under the Jones patents have reached a decision in favor of plaintiff (Activated Sludge, Inc.) and against the defendant.

The case of *Corona* v. *Dovan* was decided by this Court on April 9, 1928,—prior, even, to the trial of the first of the suits under the Activated Sludge patents, i. e., the suit against the City of Milwaukee. *Corona* v. *Dovan* was cited and urged in that suit and in all of the subsequent litigation, as pertinent to the instant case. The Court of Appeals found, however, that the facts of the present case present wholly different questions from those involved in the case of *Corona* v. *Dovan*. There was not only a very explicit statement by the Court of Appeals of the principles of law upon which the appellant relied, but also an equally explicit statement of the law applicable to the very different facts of the instant case. Thus, in its opinion in the suit against the City of Milwaukee, the Court of Appeals said:

> "We are not at variance with the following principles of law relied upon by appellant:
>
> "A valid patent can be granted only to an actual inventor.
>
> "The application must be made by the original and first inventor, supported by his oath.
>
> "Generally speaking, one is not entitled to patent the discovery or invention of his employee.
>
> "When a number of persons make an invention jointly, a valid patent cannot be taken out in the name of one of them. But when a person has discovered an

> improved principle and employs other persons to assist him in carrying it out, and they in the course of experiments arising from that employment, make valuable discoveries ancillary to the plan and preconceived design of the employer, such suggested improvments are in general to be regarded as the property of the party who discovered the original improved principle, and may be embodied in his patent as a part of his invention. *Agawam Woolen Company* v. *Jordan*, 7 Wall. (74 U. S.) 583, 19 L. ed. 177; *Larson* v. *Crowther* (C. C. A.), 26 F. (2d) 780." (69 Fed. (2d) 577, 587.)

The first opinion of the Seventh Circuit Court of Appeals covers some twenty double-column pages in Volume 69 of the Federal Reporter, Second Series. We shall refrain from quoting more fully from it. Our sole purpose in quoting the above excerpts is to show that the real question in the present case was the purely factual question of whether "the scientists", Fowler, Mumford, Ardern, and Lockett, were the assistants and collaborators of Jones, employed and paid by him for contributing their skill in testing and demonstrating Jones' ideas, or whether they were sole and independent inventors of the subject-matter of the patents in suit.

This is a vastly different question from that involved in the case of *Corona* v. *Dovan*, in which Kratz had never had any connection of any kind with the patentee, Weiss, and in which anything and everything which Kratz had done was wholly independent of Weiss and without even a knowledge of Weiss' existence.

We do not propose in this brief in opposition to the petition for a writ of certiorari to argue the real question which was presented to all of the lower courts in this case and in all of the previous cases under the patents in suit. We content ourselves with the simple assertion that the

facts of *Corona* v. *Dovan* have no parallelism with the facts of the present case; with the simple assertion that the questions which were involved in *Corona* v. *Dovan* are not the questions which have been involved or can be involved in the present case; and with the simple assertion that the decisions of the Seventh Circuit Court of Appeals, relative to which three petitions for writ of certiorari to this Court have been filed and denied, involved questions of pure fact to which the defendant's petitions have not even alluded.

In Answer to Petitioner's Argument — Point III-B.

Petitioner contends that the Court of Appeals herein, in arriving at its decision, treated the patents collectively and did not consider individually each of the patents in suit. Petitioner asserts, therefore, that the present decision is in conflict with the decision of this Court in *Altoona Theatres* v. *Tri-Ergon Corp.*, 294 U. S. 477. Such an assertion by petitioner must necessarily be based wholly upon opinion, for of course petitioner can have no knowledge or record of the thought processes indulged in by the judges of the Seventh Circuit Court of Appeals in arriving at that decision. The members of that Court, however, did not have to resort to opinion or guess as to that matter. In its opinion herein, the Seventh Circuit Court of Appeals, with respect to this contention, said (90 F. (2d) 727, 730):

> "Appellant with considerable emphasis challenges the correctness of our opinion in the first Milwaukee case. This contention is based on the ruling in *Altoona Theatres* v. *American Tri-Ergon Corporation*, 294 U. S. 477, 55 S. Ct. 455, 79 L. Ed. 1005, wherein the well-known rule is reiterated that each claim of a patent constitutes a separate grant of monopoly, and each must be considered by itself both with respect to validity and infringement. This, appellant says, we did not do, but that on the contrary

we treated all the claims of all the patents, both process and apparatus, as constituting one method patent. We had no intention of doing so, and we think we did not, nor did we assign reasons for not considering the claims separately in the sense which appellant contends.

"A study of this record and the arguments of counsel convinces us that our conclusions as set forth in our opinions in the Milwaukee cases, both with respect to validity and infringement, are sound. For the reasons therein stated we hold that the District Court in this case properly held that each of the claims here in issue is valid."

What counsel for the petitioner have done in presenting their argument on this alleged error of the courts below is to take the case of *Altoona* v. *Tri-Ergon*, in which the Vogt, et al., patent was held to be invalid upon the ground that it did not claim the invention which the Third Circuit Court of Appeals had attributed to Vogt, et al. They have seized particularly upon a paragraph containing a sentence in which the opinion of this Court, by Mr. Justice Stone, had said that "The patent thus upheld is one which was neither claimed nor granted." Counsel have endeavored then to contort the facts of the present case into alignment with those of the Tri-Ergon case, as they have done twice before in presenting the same argument to this Court in support of petitions for writs of certiorari.

In its opinion, the Seventh Circuit Court of Appeals outlined the state of the art relative to the purification of sewage, and then said, at page 582 of Volume 69 of the Federal Reporter, Second Series:

"With this general statement of the earlier attempts at purification of sewage and of the knowledge of bacterial characteristics and their activities with respect to such purification, we shall proceed to describe the method which appellee claims was disclosed for the

first time by the Jones patents, *and which it is admitted by both parties was invention, and of revolutionary benefit to mankind.*"*

Then follows a single paragraph in which the Court summarized the disclosures of the several patents which were involved in suit.

Counsel not only contort the facts of the present case in an attempt to convince this Court that the ruling of the *Tri-Ergon* case is applicable, but counsel further resort to the expediency of quoting a selected sentence (p. 61) from a finding of the District Court which is grasped at in desperation in this third attempt to have your Honors review these patents on the questions involving anticipation and invention. The complete finding from which counsel finds it convenient to extract a single sentence reads in full as follows (R. XI, p. 5052):

> "Patents #1,247,540, #1,282,587, #1,247,542, #Re. 15, 140 and #1,286,017 and their British antecedents form parts of a continuous effort in the development of methods and apparatus with respect to the Activated Sludge process which kept pace with the bio-chemical discoveries. All of these patents have a very close relationship in the act and should, the Court of Appeals found, be considered collectively. It is unnecessary to determine exactly all points of contact or of overlapping of one as against another."

It is clearly apparent that the collective consideration given to the enumerated patents has to do with the "act" in the development of the methods and apparatus involved in

---

* As was explicity pointed out in the brief in opposition to a former petition for writ of certiorari "the petitioner has expressly admitted that the patents in suit disclosed inventions of an 'important,' 'revolutionary', and 'remarkable' character. (Milwaukee record, pp. 2517, 2519, 2523, etc.)."

the patents and not to the claims as counsel would like to have appear. This demonstrates the far-fetched contorted argument and the length to which petitioner is willing to go in its attempt to have these questions of anticipation and invention considered by this Court.

All of these patents related to the same general subject matter. They disclosed a succession of inventions, all relating to this same general subject. All of the inventions claimed in the several patents could be used conjointly, and were alleged to have been used conjointly by the defendant.

It is solely and only because the Court of Appeals (Milwaukee litigation) found it convenient to contrast the sum total of the conjoint use of all of the Jones patents with all that had been done or known in the previous art of sewage purification, that counsel for petitioner have found an alleged valid excuse on which to assert that the Court of Appeals constructed and then validated a synthetic patent which had neither been asked nor granted.

In so doing, counsel for the petitioner completely disregard the patent by patent and claim by claim discussion in the opinion of the Court of Appeals.

As we have previously pointed out, the Seventh Circuit Court of Appeals has, itself, in its opinion in the present suit, sufficiently answered and refuted the contention of petitioner's counsel.

In Answer to Petitioner's Argument — Point III-C.

Petitioner now requests your Honors to cast and sweep aside all of the painstaking, careful and considered review of the thousands of pages of testimony and examination of hundreds of exhibits by the courts below during the last twenty-two years of litigation, and without reviewing or weighing the factual controversies, hold that the claims of the Jones patents are invalid on their face. Counsel

invite this Court to hold such claims invalid without even "perusing the opinions of the courts below."

In petitioner's build-up of this thesis leading to an alleged parallel between the claims of the Jones patents and the claims considered by this Court in the *Halliburton Oil Well Cementing Co* (91 L. ed 15; 67 Sup. Ct. 6), *General Electric Co.* (304 U. S. 364), and *United Carbon Company* (317 U. S. 228) cases, counsel for petitioner refute their own contentions with respect to the claim seized upon for presentation to your Honors. Petitioner's assumptions and presumptions that the claims are invalid on their face and the question "Where can invention be found in such claim?" have been argued, reargued, reviewed and again reviewed, starting with the Milwaukee litigation during the twenty-two years of litigation, and the eight judges before whom these cases were argued have held contrary to petitioner's contention and have sustained the validity of the claims in issue.

If the "means" for introducing air in the combination recited is old, as admitted by petitioner, how can such means at the same time constitute the "most crucial element" or the essence of the invention? To argue such a proposition is an absurdity, yet an appeal is made to your Honors on that predicate. The fallacy of such an argument is apparent and it will be obvious that to state the premise is to immediately exclude the claims considered by the petitioner from the rule of the cases above identified.

To our knowledge this Court has never denied the right of a patentee to structurally describe the physical and operating relationship of the operating parts of a novel combination in terms of "means" where there was an adequate description of the invention in the claim, and as a matter of fact, such procedure was approved of by this

Court in the *Halliburton* case by reference to Claim 2 involved in the case of *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405.

The case of *General Electric Co.* v. *Wabash Appliance Corp. et al.*, 304 U. S. 364, cited by petitioner to support its argument, stated at pages 371 and 372:

> "* * * But the vice of a functional claim exists not only when a claim is 'wholly' functional, if that is ever true, but also when the inventor is painstaking when he recites what has already been seen, and then uses conveniently functional language at the exact point of novelty.
>
> "A limited use of terms of effect or result, which accurately define the essential qualities of a product to one skilled in the art, may in some instances be permissible and even desirable, but a characteristic essential to novelty may not be distinguished from the old art solely by its tendency to remedy the problems in the art met by the patent."

As will be apparent, petitioner admits that the term "means" was not used by Jones in his patents at the very point of novelty.

What counsel for petitioner have done in their argument is to take the cases of *Halliburton Oil Cementing Co.* v. *Walker*, 91 L. ed. 15, 17, 67 Sup. Ct. 6; *General Electric Co.* v. *Wabash Corp.*, 304 U. S. 364, 371; and *United Carbon Co.* v. *Binney & Smith Co.*, 317 U. S. 228, in which claims were held to be invalid for indefiniteness and have endeavored by ingenious and subtle, but incongruous argument to contort the facts of the present case into alignment with the cases referred to.

The inconsistent and contradictory substance of petitioner's argument is apparent on its face. Petitioner refers to certain of the claims of one of the patents in suit which have been consistently held valid by the lower courts and says (p. 62):

"Aeration of sewage is admittedly an old principle and requires some kind of means for the introduction of air or oxygen into the sewage."

Petitioner then states (p. 62):

"However, simply to claim 'means for introducing air or oxygen at the lower part of the tank' adds nothing to the prior art."

Petitioner then says (p. 65):

"If any invention may be found in the apparatus patent involved in this suit, it must be found in the means for the introduction of air or oxygen into the raw sewage."

Petitioner then attempts to submerge and obliterate these contradictory, illogical and irrational statements by one touch of the wand by referring to certain decisions of this Court in an attempt to consummate and accomplish its legerdemain and spread its "bag of tricks" before this Court in order that it may secure a rehearing on the same grounds as presented in its previous petitions for writs of certiorari denied by this Court. Thus, petitioner states the well known rule of this Court having no application to this case:

"When the term 'means' accompanied by a functional statement is used to designate an element or part of a claim which constitutes the essence of the invention, it will be regarded as functional and the claim is void:—"

On the basis of such contrary and incongruous premises and conclusions, petitioner's counsel, as was done in both the Milwaukee case and this case, attempt to impress this Court with a concocted argument to suit their own fancy, to the effect that the courts below were in error in holding the claims of the patents in suit valid.

A necessary and integral part of petitioner's argument

is premised and predicated upon assorted defenses repeatedly rejected by the lower courts which counsel again advance as a medium to support their position respecting the invalidity of the Jones patents.

Petitioner says (p. 64) that:

> "The provisional specification in the British patent, on which the apparatus patent in suit is based * * *"

and that (p. 65):

> "The original American application contained similar language but Jones solicitor, for reasons unknown, later broadened the claims to their present form."

The controverted issues of fact are whether the Jones patents in suit were properly based on some one or more British patents and whether the prosecution of the Jones applications was in accordance with the practice promulgated by the United States Patent Office. These factual issues were resolved by the lower courts against this petitioner and other defendants and in favor of respondents.

It is well settled that if an application for a patent is filed in the United States, in which the invention is disclosed by drawings or description, or both, but not claimed, the inventor is permitted to amend the specification to conform with the drawings, amend the drawings to conform to the specification, and to insert claims to all of the originally disclosed subject matter. In such cases a supplemental oath is usually filed. The filing of a United States patent application containing the usual oath and claiming subject matter disclosed but not claimed in one or more prior British applications upon which the United States application is based, is the complete equivalent of the filing of a supplemental oath in a United States application which, when filed, disclosed but did not claim subject matter covered by the supplemental oath.

Whether the patents which petitioner has asked review of by this Court are properly based upon some one or more British patents, or whether or not any or all of the patents in suit would be valid even though not based upon some one or more British patents are questions to be determined by the facts in each instance.

In order to determine the validity of the argument now presented by petitioner, it would be necessary for this Court to review the facts from the thousands of pages of evidence to determine whether or not any or all of the patents in suit have to depend for validity upon the filing date, disclosure and/or claimed subject matter of some one or more British patents, and then further to review the facts to determine whether or not the British patents as filed, or as amended, constitute a sufficient basis for the United States patents as filed, or as eventually issued. In addition, a still further review would have to be made to determine whether the United States patents to Jones were prosecuted in accordance with the rules of the United States Patent Office.

While petitioner conveniently avoids "spot-lighting" the actualities of the situation in that regard, the validity of petitioner's argument, based on what were controversial issues of importance in the litigations involving the Jones patents, could be resolved by this Court only by the tremendously involved review of factual data outlined above.

It is, therefore, apparent that the plausibility of petitioner's argument loses its significance in the light of the *assumed* facts which, while urged by petitioner and other defendants in the courts below, have been found in each instance to be erroneous. In order that this Court might arrive at a conclusion that the Court of Appeals was wrong in its findings of fact upon which it held that the United States patents in suit are valid, it would be necessary for

this Court to review and understand the factual controversies resolved by the courts below against petitioner and in favor of respondent.

It is our understanding from this Court's opinions in the case of *United States* v. *Johnston*, 268 U. S. 220, that a petition for writ of certiorari will not be granted to review evidence and discuss specific facts.

Regarding the granting of writs of certiorari, this Court, in *General Pictures Co.* v. *Electric Co.*, 304 U. S. 175, 178, said:

> "Granting of the writ would not be warranted merely to review the evidence or inferences drawn from it. *Southern Power Co.* v. *N. C. Public Service Co.*, 263 U. S. 508; *United States* v. *Johnston*, 268 U. S. 220, 227. Moreover, the decision on that point rests on concurrent findings. They are not to be disturbed unless plainly without support. *United States* v. *Chemical Foundation*, 272 U. S. 1, 14. *United States* v. *McGowan*, 290 U. S. 592. *Alabama Power Co.* v. *Ickes*, 302 U. S. 464. There is evidence to support them. Nor would the writ be granted to review the questions of anticipation and invention that petitioner argues, for as to them there is no conflict between decisions of circuit courts of appeals."

Furthermore, as the Supreme Court has so often said:

> "Such an ordinary patent case, with the usual issues of invention, breadth of claims, and non-infringement, this court will not bring here by certiorari unless it be necessary to reconcile decisions of circuit courts of appeal on the same patent." *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314, 319.

CONCLUSION.

It seems obvious that parties ought not to be permitted indefinitely to litigate issues thoroughly tried and adjudicated. Plaintiff (Activated Sludge, Inc.) came to the lower courts with a clean, wholesome cause of action, based upon United States patents, whereby the Government had conferred upon the patentee, as a meritorious and pioneer inventor, a lawful monopoly by way of approval and as a reward for the exercise of his inventive genius. All of the factual issues have been decided adversely to petitioner. We respectfully submit that the present case is an ordinary patent case in which the usual factual issues have been concurrently decided by the lower courts in favor of respondents and adversely to petitioner, and that it does not present any of the special circumstances which would justify this Court in the grant of the petition.

We respectfully submit that the petition for certiorari should be denied.

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLEAGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,
Respondents.

PETITION FOR REHEARING.

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CHAMPLIN-SHEALY COMPANY, CHICAGO 365

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,

Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLEAGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,

Respondents.

PETITION FOR REHEARING.

On March 10, 1947 this Court denied our petition for writ of certiorari (filed January 27, 1947) to review the judgment of the Seventh Circuit Court of Appeals affirming the judgment of the District Court against the petitioner

for general damages in the sum of $950,000 for infringement of apparatus and process patents relating to purification of sewage.

The ineptitude of our presentation of the certiorari petition we feel must have been the cause of the refusal of this Court to review the lower court's decision, thereby resulting in a flagrant miscarriage of justice. However, we do know that in the last several years in many cases petitioners' counsel have succeeded in obtaining supervisory action by this Court only after filing petitions for rehearing of the denied petitions for certiorari.

We shall not burden the Court by a discussion of the several points presented in our certiorari petition but will confine ourselves to urging in this rehearing petition only two of such points, as follows:

I.

The unconscionable and inequitable conduct of the respondents in instituting and carrying on the litigation through conspiracy, suppression of evidence and false testimony is a fraud on the court and requires the court on true facts being brought to its attention to take whatever action is necessary to remedy the wrong.

II.

The final judgment on the accounting should be reviewed and thereupon reversed because there is included in the judgment an unstated amount for so-called "extra damages", a concept having no precedent in the law and no basis in principle.

Point I.

In this section of our petition for rehearing we wish to call the Court's attention to certain matters additional to those set forth in our petition for certiorari which should enable the Court to comprehend more fully the grave importance and nature of the inequitable and unconscionable conduct of the respondents in instituting and carrying on this litigation. The Court may have been confused by the fact that there were two petitions in the District Court, one sought to be filed in 1940 to re-open the case and the other filed on June 18, 1945. While both petitions related to conduct, they were based upon two different grounds.

The petition filed in 1940 is described by the District Court's opinion as based upon two premises (R. III, 885, 886):

> "First, that the suit should be dismissed for the reason that it was inspired, filed and prosecuted through the action of one Dilling, formerly chief engineer of defendant, who, it is alleged, learned the facts concerning the vulnerability of defendant to patent litigation under the patents here involved while employed by defendant. * * * The second contention is that Activated Sludge, Inc., plaintiff, who succeeded in the litigation culminating in the decree of infringement, did not have title to the patents in suit when it became party plaintiff or when the decree was entered and, being without title, if the facts had been presented, could not properly have succeeded."

The ground for the petition of June 18, 1945 is stated by the petition as follows (R. I, 21):

> "By reason of the concealment and suppression of evidence and conduct by which the judicial machinery was set in motion in this case and the conduct of the case and the method of carrying it on to decree of February 8, 1935, which conduct above and herein related violated conscience, good faith and other equi-

table principles, the said plaintiffs are barred, precluded and estopped from obtaining any recovery by virtue of said decree or from receiving any pecuniary benefits therefrom."

In order that the first petition should succeed, it was necessary that on the face of the petition it should appear that if the newly discovered facts had been properly pleaded and presented to the court, such facts would have required the court to bar the action for the unclean hands of the respondents due to the conduct of Dilling, a former employe of the petitioner, in instituting and carrying on the suit, or that the respondent Activated Sludge, Inc. did not have title to the patents. At that time the cases of *Hazel-Atlas Glass Company* v. *Hartford-Empire Co.*, 322 U. S. 238, and *Precision Instrument Manufacturing Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806, had not been decided. The case of *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, had been decided but was never cited to or considered by Judge Lindley in his opinion of July 5, 1940 (R. III, 885).

The petition filed on June 18, 1945 is based upon the principles laid down in the *Hazel-Atlas, Precision Instrument* and *Keystone Driller* cases where the conduct of the plaintiffs in the institution and carrying on of the suit was of such a character as to constitute a fraud upon the court requiring the devitalization of the plaintiffs' judgment or decree. In such instance the court should act whenever such fraud comes to its attention. The length of the time between when the conduct occurred and the time when it came to the court's attention, is unimportant.

This Court in *Marr* v. *A. B. Dick Co.* on November 12, 1946 granted the petition for certiorari based upon the amicus curiae memorandum* of the Solicitor General which

* Copy of the memorandum of the Solicitor General in *Marr* v. *A. B. Dick Co.* is attached hereto as "Appendix A."

set forth that "respondent's continuing inequitable and fraudulent suppression of proof pertinent to the validity of its patent has withheld from the petitioner facts which, had they been available to it, *might* have defeated the present suit." (Case No. 504; 91 L. ed. 73).

The proof suppressed in the *Marr* case related to the prior art. The proof suppressed here related, among other things, to the right of the plaintiff Guthard to sue because of Dilling's relationship to the cause of action. The Solicitor General's memorandum filed in the *Marr* case cited and relied upon the *Hazel-Atlas, Precision Instrument* and *Keystone Driller* cases.

By its denial of our petition for certiorari, does this Court wish it to be understood that it sanctions the distinction made by the District Court and apparently approved by the Court of Appeals, namely, that the principles enunciated in the *Keystone Driller, Hazel-Atlas* and *Precision Instrument* cases are limited to fraud when practised upon the Patent Office but that they do not apply to fraud perpetrated upon the Federal Courts in an action to enforce patent rights? (See our petition for certiorari, pp. 3, 23.)

By the denial of our petition for certiorari does this Court wish it to be understood that it no longer sanctions the principles enunciated and set forth in the Solicitor General's amicus curiae memorandum filed in the *Marr* case (Appendix A hereto), to the effect that the Court upon discovery of the facts showing fraud practised upon it "will take whatever action is necessary to remedy this wrong"?

Are the American Bench and Bar to believe that the Court places its stamp of approval upon a conspiracy to conceal the relationship to this case of one of the patent

owners, Dilling, one of the objects of which conspiracy was, as stated by another one of the patent owners, "merely because we would expect to use Mr. Dilling as an expert witness" (R. I, 711)!

Another reason for the suppression of Dilling's relationship to this case was that respondents were apprehensive that if his relationship were known, petitioner might have a defense of unclean hands arising out of the fact that it was their former Chief Engineer who instigated and brought about this suit. Regardless of the reasons which motivated respondents, the fact remains that every time respondents appeared in the courts they wore false faces, concealing the identity of Dilling.

Circuit Judge Baker of the Seventh Circuit in his opinion in *Toledo Scale Co.* v. *Computing Scale Co.*, 281 Fed. 488, 496, condemned and characterized such conduct as most iniquitous and said:

> "Nevertheless Computing Company permitted the hearing of evidence to be closed without informing Toledo Company and the trial court that there were witnesses who could testify and exhibits at Pawtucket and elsewhere (some in its own factory) which could be introduced in evidence as to the bearing of the old Phinney scales upon the validity of Computing Company's patent.
>
> Such a withholding or suppression of evidence, though less iniquitous than the affirmative use of forged documents, false exhibits, and perjured testimony, runs counter to one's sense of ideal fair play. Our judicial processes have advanced from determining controversies by wager of battle until courts now endeavor to learn the truth and to base their decrees thereon."

For respondents to have concocted a scheme to suppress Dilling's relationship to the case and for them to have executed the scheme by false pleadings, false testi-

mony, false statements of counsel and false references in briefs, is so shocking that this Court cannot stand by and grant its tacit approval.

The opinion of the District Court of July 5, 1940 (33 F. Supp. 692, R. III, 885) adopted by the Court of Appeals as its opinion (118 F. (2d) 899) was rendered and written by the court in connection with the order entered July 5, 1940 denying leave to the petitioner, Sanitary District, defendant below, to file its petition to reopen the cause and present newly discovered evidence relating to the unclean hands of the plaintiffs, respondents here, on account of the relationship of Dilling to the enterprise. A reading of the opinion would lead one to believe that a trial had taken place of all the issues involving the unclean hands and the conduct of the respondents. The fact is that no trial took place. The District Court on the application for leave to file the petition to reopen in 1940 was presented with only one simple question of law and that was whether the facts set forth in the petition were in law sufficient to grant the relief sought and whether the petitioner had been guilty of laches.

The court permitted the parties to file documents and affidavits to be used in connection with the motion for leave to file the petition to reopen and in its opinion stated as findings certain facts based upon such documents and affidavits. The court's finding that the petitioner was guilty of laches was based principally on a notice of attorneys' lien (R. II, 350) which the District Court said was served on petitioner on January 7, 1936 by Dilling's attorneys (33 F. Supp. 692, 694). The petition to reopen sought to be filed alleged specifically and directly that knowledge of Dilling's connection to this case came to petitioner on, and not before, August 4, 1938 (R. II, 23-4),

only one year prior to seeking leave from the Court of Appeals to present the petition to the District Court. The notice of attorneys' lien of January 7, 1936 upon which the court relied for its finding of laches was given by Dilling's attorneys under statutes of Illinois and merely stated that (R. II, 350):

> "Albert W. Dilling has retained and employed us to act as his attorneys for the purpose of prosecuting any suit at law or in equity or to effect a settlement of his claim or cause of action against you arising out of the interest claimed by the said Albert W. Dilling in the patents acquired by Activated Sludge of America, a trust, and Activated Sludge, Inc., a corporation, by assignment, particularly with reference to your infringment on said patents * * *".

It must be remembered that at that time the petitioner understood from the testimony of Guthard and Mayo that Guthard, Mayo and McCaleb originally and prior to 1927 had an exclusive license under the patents for four states; that in January of 1927 Guthard and Activated Sludge, Ltd. cancelled the exclusive license; and that Activated Sludge, Ltd. immediately thereafter assigned all the patents to Activated Sludge, Inc. Consequently, it would have been understood by petitioner that if Dilling had any interest in 1936 it had been acquired from Activated Sludge, Inc. in or after the year 1927, which was several years after this suit was filed. Nothing had come to the attention of the petitioner in 1936 which would cause petitioner to suspect that Dilling had obtained such interest improperly, as petitioner later discovered. No suit was instituted on behalf of Dilling against his co-adventurers until October 29, 1936 (R. II, 67-70). No suit was ever instituted against petitioner in which Dilling's name appeared as a plaintiff, and no notice was ever given by anyone to petitioner, the Sanitary District, of the filing

of a suit by Dilling against his co-adventurers, until August 4, 1938, as above set forth. (See also R. II, 351.)

Consequently, it cannot be fairly claimed that the notice of attorneys' lien of January 7, 1936 put petiitoner on inquiry as to the actual facts concerning Dilling's relationship to the patents. It was not until August 4, 1938, as alleged in the petition to reopen, that petitioner commenced, or could reasonably have been expected to commence, to make inquiry as to Dilling's position (R. II, 23). From that time on petitioner proceeded with due speed, encountering many obstacles originated by respondents to petitioner's ascertaining the facts upon which to base its petition to reopen (R. II, 24, 33-36).

The notice of attorneys' lien would lead one to believe that Dilling had acquired his interest in the patents in suit only shortly prior to the date of the notice (R. II, 350) and consequently there would arise no suspicion of wrongdoing on the part of Dilling and his co-adventurers. No suspicion would arise that the prior testimony of Guthard and Mayo was false and that this action was originally instigated by petitioner's former chief engineer against a specific installation which he had induced petitioner to install. Yet the lower courts find laches because there was "no showing in the petition or the evidence submitted" that petitioner embarked upon an investigation of Dilling's alleged interest when it received said notice (33 F. Supp. 692, 695).

The finding of lack of fraud is phrased by the lower courts as follows (33 F. Supp. 692, 699):

> "I cannot attribute fraud to plaintiff in concealing the alleged interest of Dilling, for apparently plaintiff and Dilling's former associates have at all times earnestly insisted that he had no interest, and apparently considered his interest wiped out."

The positive allegations of fraud in the petitions sought to be filed cannot be brushed aside by mere surmise and speculation as to what Dilling and his associates "apparently" insisted or considered. For the lower courts to have found that Dilling's associates "at all times" insisted that he had no interest is to draw an obviously erroneous inference from the record. It was not until 1927 that certain transactions occurred which enabled Dilling's co-adventurers at a later date to dispute Dilling's interest in the enterprise (R. II, 79, 387). At the time when the disagreement arose in 1927 between Dilling and his associates, this action had been pending for several years and during all that time Dilling was recognized by his associates as a part owner of the patents in suit (R. II, 10-11, 47, III, 634-656).

The minutes of "Activated Sludge Processes of America" for May 24, 1926 disclose that Dilling was present along with his co-adventurers, Guthard, Mayo and McCaleb, when they empowered one Francis to represent them in attempting to negotiate a license with petitioner (R. I, 738, 739). By 1927 many of the acts of suppression and concealment relating to Dilling's interest in this case had taken place (see Petition for Certiorari, pp. 5-8, 24-31).

In a similar vein the District Court in its opinion adopted by the Court of Appeals characterizes the testimony of the witnesses Mayo and Guthard as being "somewhat uncertain" but not "intentionally false" (33 F. Supp. 692, 700). It is beyond comprehension how the lower courts could have come to that conclusion in the face of admissions by both witnesses, when confronted with their testimony in this case on cross-examination in the suit later brought by Dilling against them and others, that they had not told the truth when they testified in this case (R. II, 31-33). Needless to say, petitioner was denied the oppor-

tunity of examining Dilling, Mayo and Guthard, or any one else, in order to substantiate the allegations of this fraudulent conduct. This denial also embraced the ordinary right to take depositions by way of discovery or otherwise (R. I, 35).

That both petitions allege facts entitling petitioner to the relief sought will be apparent to anyone who reads them (R. II, 3-102; I, 9-33). The grievous error of the courts below is found in their departure from established judicial procedures in failing to grant petitioner an opportunity to prove the allegations contained in the petitions sought to be filed.

In the *Marr* case your Honors did not waive aside the charge of fraud upon the Court on the ground that it referred to matters occurring over twenty years previously. This Court did not say that nothing could be gained by reiterating the principles established in the cases cited above, namely, that a patentee will be barred from recovery upon proof that fraud was perpetrated in obtaining or enforcing patent rights. This Court did what it should do here, it vacated the judgment of the Circuit Court of Appeals and required consideration of the questions raised by the Solicitor General as to "whether respondent's prosecution of the instant case may not constitute a fraud upon the courts".

Every word in the Memorandum of the Solicitor General in the *Marr* case is applicable to the facts in this case. Certainly, the voice of a private litigant is as potent in our courts as that of the Solicitor General. It is not too late for justice to be done.

Fraud upon the courts cannot be tolerated or ignored. It must be stricken down every time that it is called to the attention of the courts. To fail to do so is to encourage

it and invite its repetition. The charges of fraud and suppression of evidence made in this case have become well known. The final decision of this Court as to the propriety of respondents' conduct is being anxiously awaited.

The refusal of this Court to take cognizance of this fraud practised upon the Court will encourage others to commit similar acts of fraud upon the Court in the hope and belief that such fraudulent practices will be overlooked and disregarded in the same manner.

The inconsistency between the high standards enunciated in the opinions in the *Hazel-Atlas, Precision Instrument* and *Keystone Driller* cases and the sullied conduct and concealment in the instant case is "well calculated to suggest distrust" (*Root* v. *Railway Co.*, 105 U. S. 199) of the administration of justice.

Point II.

In this section of our petition for rehearing we again call to the Court's attention the necessity of its reviewing the final judgment below because in that judgment there was included, according to the lower court's opinion, an element called "extra damages" which is a novel concept in the literature relating to damages recoverable for patent infringements and has no basis in principle.

After a century and a half of development in the law of damages in patent cases, the rules have become fairly well delineated. Throughout that period the concept of "extra damages", something above and beyond the plaintiff's damages or the defendant's profits or a reasonable royalty, but falling short of punitive or exemplary damages, had never been developed, or even mentioned, until the opinion of the District Court below was rendered. For that reason alone this new theory must be viewed with

suspicion. But in addition to the lack of any precedent, the concept cannot be justified by any process of reasoning.

The specious nature of the "extra damages" concept is made manifest by respondents' lame attempt to explain it (Respondents' Brief in Opposition to Petition for Writ of Certiorari, pp. 23-27). Respondents do not deny that the concept of "extra damages" is without precedent in the law and they do not deny that the "extra damages" were not allowed as punitive or exemplary damages.

In the Court of Appeals respondents argued* that when the District Court allowed "extra damages", it was the same as allowing "increased damages" under the statute. Apparently realizing that this argument is inconsistent with the conclusion of the District Court that no increased damages can be allowed against a municipal corporation (R. I, 68), respondents now change their position and argue that the "extra damages" were properly allowed as part of "a reasonable sum as general damages" (apparently claimed by respondents to be something more than a reasonable royalty) by way of making allowance for compound interest on the reasonable royalty, litigation expense and the charge (unproved) that petitioner was a persistent and deliberate infringer (Respondents' Brief in Opposition to Petition for Writ of Certiorari, pp. 24-25).

However, in arguing that the District Court entered judgment for "a reasonable sum as general damages" rather than a reasonable royalty, the respondents are inconsistent with the conclusion of the District Court which

* "The weakness of defendant's plea is evident when it becomes necessary for it to picayunishly criticize (Def. Brief, pp. 128, 129) the trial court's use of the word 'extra' in connection with the compensatory damages assessed in this case. The Statute specifies that the court, in its discretion, shall have the power to award increased damages but 'increase' and 'extra' are synonymous."

held that respondents were entitled to recover "on the theory of general damages by way of reasonable royalty" or "on the basis of general damages in the nature of a reasonable royalty" (R. I, 51).

Respondents' present position is also inconsistent with the interpretation placed by the courts upon the phrase "a reasonable sum as profits or general damages for the infringement" appearing in the statute (35 U. S. C. A., Sec. 70). Respondents would have us believe that the statute permits the award of damages of a vague and indefinite nature and that damages may be awarded in a lump sum and by following "rough and ready" methods.* The history of the above-quoted phrase from the statute, upon which respondents rely, makes it clear that Congress did not intend to incorporate into the statute any such nebulous notions but did intend to embody into the law the doctrine of reasonable royalty as a basis of recovery.

Under the 1870 Act of Congress the statute provided as follows (R. S., Sec. 4921, Act July 8, 1870, c. 230, Sec. 55, 16 Stat. 206; 35 U. S. C. A., Sec. 70):

> "* * * the complainant shall be entitled to recover, in addition to the *profits* to be accounted for by the defendant, the *damages* the complainant has sustained thereby * * *" (emphasis supplied)

The "damages" referred to in the statute are construed to mean the established royalty, if any, which the plaintiff lost by virtue of the infringement, or the compensation for injury to the plaintiff's business by loss of sales or otherwise (Walker on Patents (Deller's Ed.), pp. 2152-2168). As distinguished from "damages" the plaintiff in a patent infringement case may also recover the defendant's "prof-

* For a repudiation of such methods, see *Mathey* v. *United Shoe Machinery Corp.*, 54 F. Supp. 694, 701-2 (D. C. Mass., 1944).

its" or savings arising out of the infringement (Walker on Patents (Deller's Ed.), Chap. 26).

In the leading case of *U. S. Frumentum Co.* v. *Lauhoff*, 216 Fed. 610 (C. C. A. 1914), the court pointed out that in numerous cases the plaintiff had been unable to recover more than nominal damages because of inability to prove damages or profits. The court held that, under such circumstances, the plaintiff should be able to recover a reasonable royalty on analogies to the law of tortious takings of other property than patent rights. The doctrine of reasonable royalty proclaimed in the *Frumentum* case was later codified by an amendment of the Patent Act in 1922, which reads as follows (Act of Feb. 18, 1922, c. 58; 35 U. S. C. A., Sec. 70):

> "If on the proofs it shall appear that the complainant has suffered damage from the infringement or that the defendant has realized profits therefrom to which the complainant is justly entitled, but that such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement."

That the 1922 amendment was intended to give statutory sanction to the doctrine of reasonable royalty is made clear in *Egry Register Co.* v. *Standard Register Co.*, 23 F. (2d) 438 (C. C. A. 6, 1928), wherein Judge Denison says (p. 442):

> "The plaintiff having suffered a plain injury, and not having been able to make satisfactory proof of

> damages, and not being entitled to all the defendant's profits, and not being able to make an intelligent apportionment, we find here a clear instance of that class of cases discussed in *U. S. Frumentum Co.* v. *Lauhoff* (C. C. A.), 216 F. 610, 615, where the award of a reasonable royalty is the only solution of the difficulty. This has been sanctioned by the Supreme Court, and we have several times applied it. *Dowagiac* v. *Minnesota, supra; K. W. Co.* v. *Temko,* 283 F. 873, 878; *Fox* v. *Underwood,* 287 F. 453, 454; *Gear Co.* v. *Studebaker Co.,* 4 F. (2d) 510; *National Tube Co.* v. *Mark,* 10 F. (2d) 430, 432. Much of the doubt formerly existing as to when a case was fit for the application of this measure of damages is removed by the Act of February 18, 1922, sec. 8, embodied in U. S. Code, tit. 35, sec. 70."

Reasonable royalty is a well defined concept. It consists of the royalty fee which the parties, acting reasonably and without duress and mutually desirous of entering into a license agreement, would have agreed upon at the commencement of the infringement as a fair and reasonable fee for a license under the patents in question. One of the best definitions of a reasonable royalty is found in the language of Judge Denison in

> *Egry Register Co.* v. *Standard Register Co.,* 23 F. (2d) 438 (C. C. A. 6, 1928),

as follows (p. 443):

> "To adopt a reasonable royalty as the measure of damages is to adopt and interpret, as well as may be, the fiction that a license was to be granted at the time of beginning the infringement, and then to determine what the license price should have been. In effect, the court assumes the existence *ab initio* of, and declares the equitable terms of, a supposititious license, and does this *nunc pro tunc;* it creates and applies retrospectively a compulsory license. * * *

> In fixing a reasonable royalty, the primary inquiry, often complicated by secondary ones, is what the parties would have agreed upon, if both were reasonably trying to reach an agreement."

There are no authorities to justify the allowance, in a case such as this, of an amount greater than a reasonable royalty. It may be that in other types of cases, where the plaintiff suffered loss in sales but cannot prove the amount thereof with reasonable certainty or where the defendant gained profits but they cannot be calculated with reasonable certainty, the plaintiff can recover general damages based on a reasonable approximation of such lost sales of the plaintiff or profits of the defendant. However, in this case there were no lost sales of the plaintiffs or profits by the defendant.

Respondents stipulated that they suffered no damages because of lost sales and that petitioner made no profits (Par. 18 of Stipulation, R. I, 507). The lower courts sustained respondents' position that they had no established royalty (R. I, 51). Only one basis of recovery remained, namely, that of a reasonable royalty and the lower courts so found (R. I, 51; see Walker on Patents (Deller's Ed.), pp. 2157-2173). Respondents' only business was to negotiate license agreements and the petitioner's refusal to recognize the respondents' patent rights deprived the respondents of only one thing, namely, the royalty charge payable under a license agreement. This should make it clear that respondents are limited in this case to the recovery of a reasonable royalty charge.

The five cases cited by respondents do not support their argument that such items as lost interest, litigation expense and deliberate infringement may be considered in

determining "a reasonable sum as general damages." The first case, that of

Overman Cushion Tire Co., Inc., v. *Goodyear Tire & Rubber Co.*, 66 F. (2d) 361 (C. C. A. 2),

involves the usual case of conscious and deliberate infringement, on account of which the court doubled the amount of the reasonable royalty by way of punitive or exemplary damages. The increased amount was not allowed as part of "a reasonable sum as general damages".

The second case cited by respondents,

John B. Stetson Co. v. *Stephen L. Stetson*, 58 F. Supp. 586,

did not involve the calculation of damages in a patent infringement case. In that case a fine was imposed by the court for contemptuous violation of an injunction entered in a trade-mark action. The case is entirely beside the point.

In

Swan Carburetor Co. v. *Nash Motors Co.*, 133 F. (2d) 562 (C. C. A. 4),

there was no question of extra or punitive damages. Judgment was entered on the theory of an *established* royalty and interest was allowed only from the date of the Master's report. The Court of Appeals reversed on the ground that interest should have run from the date of the infringement, that being the general rule in the case of established royalty.

In

Duplate Corp. v. *Triplex Safety Glass Co.*, 298 U. S. 448,

also cited by respondents, it was held that interest on reasonable royalty does not run prior to the date when the damages are liquidated unless there are present "ex-

ceptional circumstances", presumably conditions permitting the allowance of interest by way of exemplary damages* and it is conceded in this case that exemplary damages are not allowable against petitioner.

In the last case cited by respondents,

Mathey v. *United Shoe Mach. Co.*, 54 F. Supp. 694 (D. C. D. Mass.),

the court, finding deliberate infringement and bad faith, increased the damages by 50% by way of exemplary or punitive damages so that the "exceptional circumstances" referred to in the *Duplate* case were present.

It is readily apparent that none of the cases cited by respondents supports the theory of "extra damages" conjured by the courts below.

In concluding that "extra damages" were recoverable, the District Court stated that it was including "damages purely compensatory which are *elusive* but which plaintiffs ought to recover" (R. I, 69-70). In our petition for certiorari (p. 41) we make the point that the "elusive" damages which the court below held were recoverable by respondents are not defined by the court below. At another point in its opinion, in considering the various elements involved, the District Court referred to advantages which were "elusive in character", such as freedom from noxious odors, putrid streams and pestilential flies (R. I, 63-64). Respondents confuse these two references to elusive damages and erroneously state that the District Court defined the elusive ingredients of the "extra damages" (Respondents' Brief, pp. 25-26).

The District Court's discussion of its concept of "extra damages" is beclouded with ambiguity and uncertainty.

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* *Kaltenbach* v. *Chesapeake & Ohio Ry.*, 43 F. Supp. 819, 820 (D. C. Va.).
Reynolds Spring Co. v. *Young*, 101 F. (2d) 257 (C. C. A. 6).

Repeated perusal of the District Court's opinion sheds no enlightenment on the subject (R. I, 68-70). The Court of Appeals, in its perfunctory memorandum opinion, said nothing to clarify the subject. Respondents in their brief in opposition to the petition for certiorari were unable to make a single valid argument in support of the District Court's new idea.

Before long plaintiffs in patent accounting trials will cite the opinion of the District Court, affirmed by the Court of Appeals and certiorari denied by this Court, as solid authority for the proposition that "extra damages" of elusive character may be granted in the discretion of the court as part of the original damages, even though punitive or exemplary damages would not be allowable. In all probability the courts in other circuits will be divided, some will follow the precedent found in this case, while others, unable to find any basis for the rule, will refuse to allow "extra damages". One day a petition for certiorari will be filed with this Court on the ground of conflict between the circuits and certiorari will most likely be allowed. At that time this Court will undoubtedly hold that the decision in this case was erroneous. In the meantime the excessive judgment entered in this case will have been paid and many cases will have been erroneously decided on the precedent of this case. Would it not be better, when this Court is asked to review a newly created concept of law of dubious propriety but general application, for this Court to express its opinion in regard thereto before too much confusion results? The notion of "extra damages" concocted by the courts below should at once be denounced as ill-conceived and erroneous.

We respectfully ask that the Court grant a rehearing of our petition for writ of certiorari and set aside its order

denying such petition and grant the prayer of the petition for writ of certiorari.

Respectfully submitted,

ERNST BUEHLER,
EDMUND D. ADCOCK,
RALPH M. SNYDER,
ELI E. FINK,
Attorneys for Petitioner, The Sanitary District of Chicago.

Certificate of Counsel.

The undersigned, one of the attorneys of record for the petitioner, The Sanitary District of Chicago, defendant in the above entitled cause, hereby certifies that the foregoing petition for rehearing is presented in good faith and not for delay.

.....

RALPH M. SNYDER.

APPENDIX A.

IN THE SUPREME COURT OF THE UNITED STATES,
October Term, 1946

No. 504

James Marr, doing business as
Marr Duplicator Company,
Petitioner,
vs.
A. B. Dick Company.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE.

The petitioner seeks review of a decision of the Circuit Court of Appeals affirming a decree awarding respondent damages and costs for infringement of respondent's Patent No. 1, 526,982. The court's decision was rendered on June 26, 1946, and a petition for rehearing was denied on July 25, 1946.

On July 22, 1946, an indictment under the Sherman Act was returned in the United States District Court for the Northern District of Ohio, Eastern Division, against respondent and others (*United States* v. *A. B. Dick Company, et al.*, Cr. No. 18981) and on the same day a complaint under that Act was filed in said court (*United States* v. *A. B. Dick Company, et al.*, Civ. No. 24188). The Solicitor General deems it to be his duty as an officer of this

Court to bring to the Court's attention the following allegations made in the foregoing indictment and foregoing complaint, which raise the question whether respondent's prosecution of the instant case may not constitute a fraud upon the courts:

> In or about 1922, an employee of Dick named Edward W. Hill applied to the United States Patent Office for a patent on a cellulose stencil and assigned his application to Dick. Beginning in or about 1923, and continuing for some time thereafter, cellulose stencils of a type similar to that described in the Hill application were manufactured or distributed, or both, by the H. E. Smith Co. (owned by Harry E. Smith) and Rowe-Williams Inc. (owned by Joseph W. Rowe). In 1925, a patent issued on the Hill application and, shortly thereafter, Dick commenced separate infringement suits on the Hill patent against Smith and Rowe and their respective companies. Smith and Rowe each defended on the ground that the Hill patent was invalid because of prior art.
>
> In 1927, while the patent suits against Smith and Rowe were awaiting trial, Dick entered into separate agreements with them providing, among other things, for the payment by Dick of a substantial sum of money in installments, and further providing that an additional substantial sum would be paid by Dick unless, by 1931, the Hill patent had been declared invalid by a court of last resort. In consideration for these payments, Smith and Rowe each acknowledged the validity of the Hill patent, consented to the entry of a decree enjoining infringement of the Hill patent, transferred to Dick certain property including evidence tending to show anticipation of the Hill invention, and agreed to refrain from rendering assistance to any stencil manufacturer other than Dick.
>
> Subsequent to the execution of the agreements referred to in the preceding paragraph, Simplicator Corp. and Arlac Dry Stencil Corp., competitors of Dick, in the course of defending infringement suits brought against them by Dick, each caused interrogatories to be propounded to Smith and Rowe dealing

with the questions of prior art and the agreements made by Smith and Rowe with Dick. In response to these interrogatories, Smith and Rowe each concealed his pecuniary interest in an adjudication sustaining the validity of the Hill patent and each withheld evidence of prior art. The Hill patent was subsequently held valid in both actions.

In the above allegations the word "Dick" refers to A. B. Dick Company, the present respondent, and the words "Hill patent" refer to Patent No. 1,526,982, the patent involved in this suit.

If the above allegations should be established on trial thereof, respondent has suppressed proof as to the prior art for the purpose of obtaining judicial decisions upholding the validity of the patent on which the present infringement suit is based; decisions so obtained were among those upon which the circuit court of appeals relied in the present case as having conclusively settled the validity of respondent's patent;[1] and respondent's continuing inequitable and fraudulent suppression of proof pertinent to the validity of its patent has withheld from the petitioner facts which, had they been available to it, might have defeated the present suit. Where a patentee has suppressed facts tending to show the invalidity of his patent, securing the aid of a court in enforcing the patent is a fraud on the court, and the court, on discovery of the true facts, will take whatever action is necessary to remedy this wrong. *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U. S. 238. See *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240; *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806.

[1] The court, in stating that it and other circuit courts of appeals had uniformly upheld the validity of respondent's patent, cited, *inter alia*, *A. B. Dick Co.* v. *Simplicator Corp.*, 34 F. 2d 935 (C. C. A. 2), and *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.*, 46 F. 2d 899 (C. C. A. 3). See 155 F. 2d 923, 924-925.

This Court has recently noted that "the inherent power of a Federal Court to investigate whether a judgment was obtained by fraud, is beyond question." *Universal Oil Products Co.* v. *Root Refining Co.,* Nos. 48 and 64, October Term, 1945, decided June 10, 1946, slip sheet opinion p. 4. This Court may wish to have an inquiry made to determine the truth of the facts alleged in the Government's antitrust proceedings before final disposition of this case, in view of the public interest in safeguarding the integrity of the judicial process and in not permitting misuse of the public grant which a patent represents. If this Court should so conclude and should set aside the judgment below and remand the cause for the purpose of taking such action as may be necessary in order to bring to trial the question of suppression of evidence by respondent, the United States will, on the request of either the circuit court of appeals or the district court, offer its services as *amicus curiae* in the framing and trial of the issue. Cf. *Universal Oil Products Co.* v. *Root Refining Co., supra.*

J. Howard McGrath,
Solicitor General.

October 1946

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CHARLES ELMORE CROPLEY
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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLAEGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,
Respondents.

MOTION AND PETITION FOR REHEARING.

ERNST BUEHLER,
EDMUND D. ADCOCK,
RALPH M. SNYDER,
ELI E. FINK,
Attorneys for Petitioner.

CHAMPLIN-SHEALY COMPANY, CHICAGO 868

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,

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vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLAEGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,

Respondents.

MOTION AND PETITION FOR REHEARING.

Now comes petitioner, The Sanitary District of Chicago, by Ernst Buehler, Edmund D. Adcock, Ralph M. Snyder and Eli E. Fink, its duly authorized attorneys herein, and represents as follows:

1. On March 10, 1947 this Court denied the petition for writ of certiorari which was filed by petitioner on January 27, 1947 to review the judgment of the Seventh Circuit Court of Appeals affirming the judgment of the District Court in the above entitled cause.

2. On April 2, 1947 petitioner filed a petition for rehearing, for reasons deemed good and sufficient unto petitioner and fully stated in said petition for rehearing, to review, vacate and set aside the order entered by this Court on March 10, 1947 denying said petition for writ of certiorari and to reconsider and grant the prayer contained in said petition for writ of certiorari. On April 7, 1947 this Court denied said petition for rehearing.

3. On April 5, 1947, while the petition for rehearing was pending in this Court, Respondents' Brief in Opposition to Petition for Rehearing was served upon petitioner's counsel, although it was received in Washington too late to be filed. Respondents' brief removes certain important matters out of the realm of controverted issues into admissions which if considered by this Court would have an important, if not controlling, bearing on the granting of the petition for writ of certiorari.

4. The interpretation and application of the recovery statute by the courts below is contrary to the Acts of Congress and would introduce arbitrary and speculative awards not grounded on facts or law.

5. The prostitution of the courts by a heretofore successful campaign of suppression of hidden documents of title, false testimony and false pleadings, and the holding of the courts below that this Court's previous pronouncements apply only to misrepresentation in the Patent Office and not in the courts, call for the supervisory power of this Court.

Wherefore, petitioner prays that it be granted leave to file its petition for rehearing, a copy of which is attached hereto.

ERNST BUEHLER,
EDMUND D. ADCOCK,
RALPH M. SNYDER,
ELI E. FINK,
Attorneys for Petitioner, The Sanitary District of Chicago.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLAEGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,
Respondents.

PETITION FOR REHEARING.

On March 10, 1947, this Court denied our petition for writ of certiorari (filed January 27, 1947) to review the judgment of the Seventh Circuit Court of Appeals affirming the judgment of the District Court against the petitioner for general damages in the sum of $950,000 for infringement of apparatus and process patents relating to the purification of sewage.

On April 2, 1947, for the reasons therein stated, we filed a petition for rehearing, which was denied on April 7, 1947. After our petition for rehearing was denied, respondents sent to the Clerk's office a Brief in Opposition to Petition for Rehearing which was not filed and could not have been considered by the Court in connection with our petition for rehearing. Inasmuch as respondents' brief contains a number of significant admissions and statements, made for the first time, the issues involved have become clarified and it becomes manifest that there are present sufficient grounds to justify the issuance of the writ prayed for.

The tradition of this Court has been, in situations where the manifest heavy duties and responsibilities of the Court conflict with the necessity of exercising the supervisory powers of the Court, to throw its weight in favor of ultimate justice, although sometimes persistence and seemingly over-persistence have been required by counsel. Former Chief Justice Hughes has alluded to an early case in which it was necessary for counsel to file a second petition for rehearing which was favorably acted upon.*

* "The Supreme Court of the United States" pp. 72-73:

"I may mention one interesting incident which the published reports of the court fail to show. I refer to *American Emigrant Company* v. *County of Adams*. The case was argued at the end of November, 1878, and the decision was announced in the middle of the following December. Counsel for appellant filed a petition for rehearing which was denied. Being unconvinced, the appellant retained General Benjamin F. Butler who went into open Court and asked for permission to file a second petition, stating that he was sure that the Court had inadvertently fallen into error and that he was confident that if the Court would take the time to read his petition they would thank him for calling the matter to their attention. Before this, to ask twice for a rehearing was unheard of and it is said that the Court was quick to show its disapproval of the innovation and severe in its criticism of General Butler. But, feeling sure of the justice of his cause, and with his accustomed audacity, he stood his ground, with the result that the minutes of April 14, 1879, show this entry: 'On motion of Mr. B. F. Butler it is ordered that the mandate be withheld in this case for the present.' The Court then considered the second petition for rehearing and on April 21, 1879, a rehearing was ordered. The case was reargued in the following October and in November the former decision was unanimously reversed."

There are many cases in which the court did not act favorably until after a second petition for rehearing had been filed.**

Because the client in this case, the taxpayers, cannot be directly consulted, a heavier duty falls upon counsel for petitioner to obtain reversal of an untenable judgment. Its attorneys are charged with a high degree of responsibility to overcome an improper and unlawful decree, especially in this court of last resort which seeks to maintain the dignity of the law.

The public as such never deliberately infringed and should not be mulcted in unproved damages, fantastic in amount and in methods of determining the amount. Its attorneys are therefore charged with a high degree of responsibility to resist an unlawful and improper award.

POINT I.

This cause coming on to be heard on the accounting to determine damages in the nature of a reasonable royalty to be fixed by the Court for the infringing use of the patents in suit, and plaintiffs having stipulated that they neither sold nor installed any treatment plants and had thereby suffered no damages because of lost sales and that they do not seek to recover any monetary sums as profits, and plaintiffs having adduced no testimony as to what a reasonable royalty would be except the general utility and novelty of the patents, the Court, without finding a reasonable royalty, adopts a lump sum to comprise the undetermined reasonable royalty plus extra and elusive damages which likewise cannot be measured or determined.

** For example see:
Schriber, Schroth Co. v. *Cleveland Trust Co.*, 305 U. S. 47.
Kellogg Co. v. *National Biscuit Co.*, 305 U. S. 674.
Zapp v. *U. S.*, Case No. 489, Oct. Term 1945, 91 L. Ed. 688.

> It is thereupon Ordered, Adjudged and Decreed that the plaintiffs recover the sum of $950,000.00 as such damages.

If the judgment in the instant case be allowed to stand on the kind of record now before this Court, the foregoing is the kind of decree which may be expected in the future in similar cases. The Acts of Congress in allowing recovery by way of reasonable royalty, the safeguards adopted by the courts requiring definite proof as to damages, the landmark decisions that a reasonable royalty must be determined as of the start of the infringement and constitutes what reasonable persons would be willing to pay for the use of the patents, the undisputed evidence that respondents themselves placed a contemporaneous value on a license to petitioner at not more than $90,000, the uncontroverted testimony of experts that the reasonable royalty should be approximately $50,000—all of these are swept away and in their stead is introduced chaos, confusion and arbitrary guesses as to what the award should be.

Ever since the District Court, in its opinion, stated that it allowed "extra damages", in an unstated amount, as part of the judgment, we have been endeavoring to elicit from respondents their interpretation of this newfangled notion. Respondents did not ask the District Court to allow "extra damages" as part of the compensatory damages and they have sedulously avoided clarification of the District Court's allowance of "extra damages". Goaded by our persistent efforts, respondents have at last admitted in their Brief in Opposition to Petition for Rehearing that when the District Court allowed a reasonable sum as general damages, it could not allow more than a reasonable royalty.* Respondents further admit that the

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* Respondents' Brief in Opposition to Petition for Rehearing (p. 7):
"We have consistently urged that a 'reasonable royalty' and a 'reasonable sum as general damages' are one and the same thing * * *."

District Court did not allow exemplary damages under the statute but only compensatory damages.* The judgment must therefore be for a reasonable royalty only.

Respondents do not deny that a reasonable royalty consists of the *license fee* which the parties, acting reasonably and without duress and mutually desirous of entering into a license agreement, would have agreed upon *at the commencement of the infringement* as a fair and reasonable charge for a license under the patents in question.**

In the first portion of its opinion (R. I, 52-68), the District Court considered some of the factors which, under the authorities, should be considered in determining a reasonable royalty, such as character of the inventions, their utility, novelty, etc.

Then, without determining the amount of the reasonable royalty, the District Court proceeded at the end of its opinion to allow "extra damages" and said that the "extra damages" include (R. I, 69-70) "damages purely compensatory which are elusive but which plaintiffs ought to recover * * *" and further considered (R. I, 70)

> "the fact that the plaintiffs have been compelled to sustain long and expensive litigation"

and probably compound interest (R. I, 64-5).

Obviously, there was no room for the allowance of so-called "extra damages" in addition to a reasonable

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* Respondents' Brief in Opposition to Petition for Rehearing (p. 6):
"The fact is, that the District Court very clearly and specifically stated (Rec. I, p. 70) that it 'carefully avoided any allowance in the nature of exemplary damages' and that the judgment included 'only compensatory damages.'"

** A reasonable royalty is so defined in:
Egry Register Co. v. *Standard Register Co.*, 23 F. (2d) 438 (C.C.A. 6, 1928).
Enterprise Mfg. Co. v. *Shakespeare Co.*, 47 F. Supp. 859 (D.C. Mich., 1942).
Horvath v. *McCord Radiator & Mfg. Co.*, 100 F. (2d) 326 (C.C.A. 6, 1938).

royalty. By admitting that recovery under the statute of a "reasonable sum as general damages" permits recovery of no more than a reasonable royalty, respondents must concede that there is no precedent in the authorities or justification in principle for the District Court's allowance of "extra damages" as part of a reasonable sum as general damages.

These very recent admissions by respondents confirm our claims as set forth in the petition for certiorari (Point II A, pp. 38-43) and petition for rehearing (Point II, pp. 12-20).

It was not necessary for the trial court to speculate on remote or "elusive" damages which are so remote that they could not be accurately described or measured in dollars or any other kind of judicial appraisement, because the record showed that at the time involved respondents had offered to other municipalities a license quite in keeping with the opinion of the highly qualified experts that a reasonable royalty would be $50,000 for the infringing period. The judgment of $950,000 is just nineteen times the proper amount, and is as remote and speculative as is the new theory of extra damages used by the courts below.

The decisions below have grafted into law, diametrically opposed to the authorities which have construed the Patent Act for many decades, a vicious principle that there may be included in compensatory damages a mysterious amount labeled "extra damages". The confusion created in the federal law by the false interpretation of the Patent Act (Sec. 4921) by the courts below should be corrected. Because the lower courts failed to correctly interpret this statute this Court reversed and remanded in the cases of *Westinghouse* v. *Wagner*, 225 U. S. 604; *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U. S. 641.

POINT II.

In their Brief in Opposition to Petition for Rehearing, respondents reiterate that this is an ordinary patent case and that the patents have expired. The points raised in our petition for rehearing and urged in this petition do not relate to any questions of validity or infringement of the patents in suit, but to important legal propositions of general application.

In their answer to our first point, respondents refuse to argue the merits and base their entire argument upon the fact that the courts below have decided against us. We would not be presenting our petition if the lower court had decided otherwise.

The significant statement in respondents' brief appears at page 4 where, in attempting to answer our charge that we have not had an opportunity to prove the allegations set forth in our petition to vacate the interlocutory decree on account of the sordid conduct of respondents, respondents state as a fact:

> "The fact is, that the District Court did hear voluminous evidence bearing upon the allegations of the petition of 1940 and that based on such evidence, it was able to contradict or explain every factual allegation as set forth in said petition."

The nub of our complaint relates to the irregularities in the proceedings below under which respondents were permitted to file certain documents and affidavits which were treated as evidence by the courts below and used by the courts to deny us leave to file said petition to vacate the interlocutory decree without giving us any opportunity to introduce testimony to support the allegations in our peti-

tion and to falsify and disprove the affidavits and allegations of respondents and to confront respondents' officers with definite admissions made in the *Dilling* case that they had testified falsely in this case.

Inasmuch as the petitions to vacate the interlocutory decree contained allegations of fact which, if proved, would require the courts below to vacate the interlocutory decree, the courts below were guilty of irregular practice in deciding the factual points on limited affidavits and without giving petitioner the ordinary right to prove the allegations in said petitions in the usual way and to cross-examine the persons whose affidavits were used by respondents as well as certain accused respondents.

For example, the District Court found that the witnesses Guthard and Mayo did not intentionally testify falsely, despite their admissions to that effect in the suit brought by Dilling against them and others and despite the fact that petitioner was denied the opportunity of examining Guthard and Mayo on the basis of the newly discovered evidence showing the subterfuges by which they had successfully concealed Dilling. If petitioner had had an opportunity of examining Guthard and Mayo on the issues presented in our petition to open the decree, the finding by the District Court that they did not intentionally testify falsely would have been impossible.

Upon repeated assertion by respondents that the District Court did not proceed as above outlined, the reviewing courts may have been led to believe that the trial court did hear such evidence. Language similar to that used in respondents' last brief, as above quoted, is designed and probably did serve to convince the reviewing courts that after hearing the witnesses, the court made a finding adverse to petitioner. The trial court heard no evidence on

the issues presented by said petitions, not a single witness was permitted to testify on this subject, and the court specifically enjoined petitioner from introducing any testimony whatever on that subject. The Court of Appeals in its perfunctory review, as reflected in its one paragraph opinion, may have felt completely justified in relying upon similar statements by respondents.

The reports indicate that on Monday, April 28, 1947, the Supreme Court affirmed the case of *Champion Spark Plug Co.* v. *Sanders,* No. 680. The Court of Appeals for the Second Circuit in requiring one who repaired and re-conditioned spark plugs to indicate on the spark plug and package that they had been repaired, with the name of defendant prominently mentioned, applied a rule of morality for the marts of trade. The Court of Appeals said (156 F. (2d) 488, at page 492):

> "They have only to tell the truth, and the whole truth, and to tell it plainly."

How much more should this Court require rigid morality and truthfulness in pleadings, documentary evidence and testimony.

CONCLUSION.

The proceedings of the courts below were irregular. If justice is to be done, this Court must exercise its sacred prerogative in striking down the corrupt conduct of respondents and in repudiating the establishment of false principles of law, all as more fully set forth in the petition for certiorari and petition for rehearing filed herein.

We respectfully ask that the Court grant a rehearing of our petition for writ of certiorari and set aside its order

denying such petition and grant the prayer of the petition for writ of certiorari.

Respectfully submitted,

ERNST BUEHLER,
EDMUND D. ADCOCK,
RALPH M. SNYDER,
ELI E. FINK,
Attorneys for Petitioner, The Sanitary District of Chicago.

Certificate of Counsel.

The undersigned, one of the attorneys of record for the petitioner, The Sanitary District of Chicago, defendant in the above entitled cause, hereby certifies that the foregoing petition for rehearing is presented in all sincerity, and in good faith and not for delay.

RALPH M. SNYDER.